Verisk Analytics, Inc.
Form 10-Q
May 01, 2012
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended March 31, 2012**

**OR**

¨ **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: 001-34480**

# VERISK ANALYTICS, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **26-2994223** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **545 Washington Boulevard Jersey City, NJ** | **07310-1686** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(201) 469-2000**

**(Registrant s telephone number, including area code)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer x | Accelerated filer ¨ |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of April 27, 2012, there was the following number of shares outstanding of each of the issuer s classes of common stock:

| **Class** | **Shares Outstanding** |
|---|---|
| Class A common stock $.001 par value | 166,066,010 |

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**Verisk Analytics, Inc.**

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**Item 1. Financial Statements**

**VERISK ANALYTICS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**As of March 31, 2012 and December 31, 2011**

| | 2012 unaudited | 2011 |
|---|---|---|
| | (In thousands, except for share and per share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 114,930 | $ 191,603 |
| Available-for-sale securities | 4,968 | 5,066 |
| Accounts receivable, net of allowance for doubtful accounts as of March 31, 2012 and December 31, 2011 of $3,990 and $4,158, respectively (1) | 194,540 | 153,339 |
| Prepaid expenses | 28,619 | 21,905 |
| Deferred income taxes, net | 13,500 | 3,818 |
| Federal and foreign income taxes receivable | 18,891 | 25,242 |
| State and local income taxes receivable | 4,856 | 11,433 |
| Other current assets | 39,536 | 41,248 |
| Total current assets | 419,840 | 453,654 |
| Noncurrent assets: | | |
| Fixed assets, net | 124,781 | 119,411 |
| Intangible assets, net | 375,742 | 226,424 |
| Goodwill | 933,298 | 709,944 |
| Deferred income taxes, net | | 10,480 |
| Other assets | 38,382 | 21,193 |
| Total assets | $ 1,892,043 | $ 1,541,106 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 144,974 | $ 162,992 |
| Acquisition related liabilities | 250 | 250 |
| Short-term debt and current portion of long-term debt | 130,478 | 5,554 |
| Pension and postretirement benefits, current | 2,912 | 4,012 |
| Fees received in advance (1) | 288,942 | 176,842 |
| Total current liabilities | 567,556 | 349,650 |
| Noncurrent liabilities: | | |
| Long-term debt | 1,099,285 | 1,100,332 |
| Pension benefits | 99,757 | 109,161 |
| Postretirement benefits | 15,792 | 18,587 |
| Deferred income taxes, net | 39,868 | |
| Other liabilities | 80,043 | 61,866 |
| Total liabilities | 1,902,301 | 1,639,596 |
| Commitments and contingencies | | |
| Stockholders deficit: | | |
| Common stock, $.001 par value; 1,200,000,000 shares authorized; 544,003,038 shares issued and 165,550,091 and 164,285,227 outstanding as of March 31, 2012 and | 137 | 137 |

| | | |
|---|---|---|
| December 31, 2011, respectively | | |
| Unearned KSOP contributions | (648) | (691) |
| Additional paid-in capital | 917,884 | 874,808 |
| Treasury stock, at cost, 378,452,947 and 379,717,811 shares as of March 31, 2012 and December 31, 2011, respectively | (1,501,414) | (1,471,042) |
| Retained earnings | 651,186 | 576,585 |
| Accumulated other comprehensive losses | (77,403) | (78,287) |
| Total stockholders deficit | (10,258) | (98,490) |
| Total liabilities and stockholders deficit | $ 1,892,043 | $ 1,541,106 |

(1) There were no related party balances as of March 31, 2012 and December 31, 2011. See Note 13. Related Parties for further information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**VERISK ANALYTICS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**For The Three Month Periods Ended March 31, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| | (In thousands, except for share and per share data) | |
| Revenues (including amounts from related parties of $0 and $4,396, respectively) (1) | $ 346,501 | $ 312,869 |
| Expenses: | | |
| Cost of revenues (exclusive of items shown separately below) | 133,330 | 124,556 |
| Selling, general and administrative | 53,979 | 49,256 |
| Depreciation and amortization of fixed assets | 11,644 | 11,305 |
| Amortization of intangible assets | 8,587 | 8,455 |
| Total expenses | 207,540 | 193,572 |
| Operating income | 138,961 | 119,297 |
| Other income/(expense): | | |
| Investment income | 105 | 10 |
| Realized gain on securities, net | 330 | 362 |
| Interest expense | (16,385) | (9,615) |
| Total other expense, net | (15,950) | (9,243) |
| Income before income taxes | 123,011 | 110,054 |
| Provision for income taxes | (48,410) | (44,178) |
| Net income | $ 74,601 | $ 65,876 |
| Basic net income per share | $ 0.45 | $ 0.39 |
| Diluted net income per share | $ 0.44 | $ 0.37 |
| Weighted average shares outstanding: | | |
| Basic | 164,836,992 | 169,030,227 |
| Diluted | 171,350,820 | 176,964,192 |

(1) See Note 13. Related Parties for further information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**VERISK ANALYTCS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

**For The Three Months Ended March 31, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| | (In thousands) | |
| Net income | $ 74,601 | $ 65,876 |
| Other comprehensive income, net of tax: | | |
| Unrealized holding loss on investments | (197) | (126) |
| Unrealized foreign currency gain | 153 | 338 |
| Pension and postretirement unfunded liability adjustment | 928 | 754 |
| Total other comprehensive income | 884 | 966 |
| Comprehensive income | $ 75,485 | $ 66,842 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## VERISK ANALYTICS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT (UNAUDITED)

### For The Year Ended December 31, 2011 and The Three Months Ended March 31, 2012

| | Common Stock Issued | | | | Unearned KSOP | Additional Paid-in | Treasury | Retained | Accumulated Other Comprehensive | Total Stockholders |
|---|---|---|---|---|---|---|---|---|---|---|
| | Class A | Class B (Series 1) | Class B (Series 2) | Par Value | Contributions | Capital | Stock | Earnings | Losses | Deficit |
| | | | | (In thousands, except for share data) | | | | | | |
| Balance, December 31, 2010 | 150,179,126 | 198,327,962 | 193,665,008 | $ 135 | $ (988) | $ 754,708 | $ (1,106,321) | $ 293,827 | $ (55,803) | $ (114,442) |
| Net income | | | | | | | | 282,758 | | 282,758 |
| Other comprehensive loss | | | | | | | | | (22,484) | (22,484) |
| Conversion of Class B-1 common stock | 198,327,962 | (198,327,962) | | | | | | | | |
| Conversion of Class B-2 common stock | 193,665,008 | | (193,665,008) | | | | | | | |
| Treasury stock acquired Class A (11,326,624 shares) | | | | | | | (380,710) | | | (380,710) |
| KSOP shares earned | | | | | 297 | 12,318 | | | | 12,615 |
| Stock options exercised, including tax benefit of $57,684 (3,716,165 shares reissued from treasury stock) | 1,830,942 | | | 2 | | 85,051 | 15,978 | | | 101,031 |
| Stock based compensation | | | | | | 22,656 | | | | 22,656 |
| Other stock issuances | | | | | | 75 | 11 | | | 86 |
| Balance, December 31, 2011 | 544,003,038 | | | $ 137 | $ (691) | $ 874,808 | $ (1,471,042) | $ 576,585 | $ (78,287) | $ (98,490) |
| Net income | | | | | | | | 74,601 | | 74,601 |
| Other comprehensive income | | | | | | | | | 884 | 884 |
| Treasury stock acquired Class A (917,987 shares) | | | | | | | (38,924) | | | (38,924) |
| KSOP shares earned | | | | | 43 | 2,888 | | | | 2,931 |
| Stock options exercised, including tax benefit of $29,705 (2,182,851 shares reissued from treasury stock) | | | | | | 35,742 | 8,552 | | | 44,294 |
| Stock based compensation | | | | | | 4,446 | | | | 4,446 |
| Balance, March 31, 2012 | 544,003,038 | | | $ 137 | $ (648) | $ 917,884 | $ (1,501,414) | $ 651,186 | $ (77,403) | $ (10,258) |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**VERISK ANALYTICS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**For The Three Months Ended March 31, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | $ 74,601 | $ 65,876 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed assets | 11,644 | 11,305 |
| Amortization of intangible assets | 8,587 | 8,455 |
| Amortization of debt issuance costs and original issue discount | 545 | 309 |
| Allowance for doubtful accounts | 355 | 151 |
| KSOP compensation expense | 2,931 | 3,111 |
| Stock based compensation | 4,446 | 3,818 |
| Noncash charges associated with performance-based appreciation awards | | 546 |
| Realized gain on securities, net | (330) | (362) |
| Deferred income taxes | (349) | (158) |
| (Gain)/loss on disposal of assets | (7) | 96 |
| Other operating | 10 | 15 |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | (34,479) | (37,475) |
| Prepaid expenses and other assets | (2,881) | (7,890) |
| Federal and foreign income taxes | 40,511 | 35,954 |
| State and local income taxes | 6,754 | 4,830 |
| Accounts payable and accrued liabilities | (20,966) | (22,100) |
| Fees received in advance | 112,100 | 84,057 |
| Pension and postretirement benefits | (11,590) | (4,349) |
| Other liabilities | (2,269) | (608) |
| Net cash provided by operating activities | 189,613 | 145,581 |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash acquired for 2012 and 2011 of $29,387 and $0, respectively | (330,777) | |
| Purchase of non-controlling equity investment in non-public companies | (2,000) | |
| Escrow funding associated with acquisitions | (17,000) | |
| Purchases of fixed assets | (17,442) | (13,648) |
| Purchases of available-for-sale securities | (791) | (960) |
| Proceeds from sales and maturities of available-for-sale securities | 898 | 1,154 |
| Net cash used in investing activities | (367,112) | (13,454) |
| Cash flows from financing activities: | | |
| Proceeds/(repayments) of short-term debt, net | 125,000 | (15,946) |
| Payment of debt issuance costs | | (256) |
| Repurchase of Class A common stock | (36,792) | (73,578) |
| Proceeds from stock options exercised | 14,589 | 3,579 |
| Other financing | (2,124) | |
| Net cash provided by/(used in) financing activities | 100,673 | (86,201) |
| Effect of exchange rate changes | 153 | 338 |

| | | |
|---|---|---|
| (Decrease)/increase in cash and cash equivalents | (76,673) | 46,264 |
| Cash and cash equivalents, beginning of period | 191,603 | 54,974 |
| Cash and cash equivalents, end of period | $ 114,930 | $ 101,238 |
| Supplemental disclosures: | | |
| Taxes paid | $ 1,239 | $ 3,351 |
| Interest paid | $ 6,359 | $ 9,479 |
| Noncash investing and financing activities: | | |
| Repurchase of Class A common stock included in accounts payable and accrued liabilities | $ 3,332 | $ 2,070 |
| Deferred tax liability established on date of acquisition | $ 40,358 | $ |
| Capital lease obligations | $ 422 | $ 6,920 |
| Capital expenditures included in accounts payable and accrued liabilities | $ 1,505 | $ 310 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**VERISK ANALYTICS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization:**

Verisk Analytics, Inc. and its consolidated subsidiaries ( Verisk or the Company ) enable risk-bearing businesses to better understand and manage their risks. The Company provides its customers proprietary data that, combined with analytic methods, create embedded decision support solutions. The Company is one of the largest aggregators and providers of data pertaining to property and casualty ( P&C ) insurance risks in the United States of America ( U.S. ). The Company offers solutions for detecting fraud in the U.S. P&C insurance, mortgage and healthcare industries and sophisticated methods to predict and quantify loss in diverse contexts ranging from natural catastrophes to supply chain to health insurance. The Company provides solutions, including data, statistical models or tailored analytics, all designed to allow clients to make more logical decisions.

Verisk was established to serve as the parent holding company of Insurance Services Office, Inc. ( ISO ). ISO was formed in 1971 as an advisory and rating organization for the P&C insurance industry to provide statistical and actuarial services, to develop insurance programs and to assist insurance companies in meeting state regulatory requirements. Over the past decade, the Company has broadened its data assets, entered new markets, placed a greater emphasis on analytics, and pursued strategic acquisitions.Verisk s Class A common stock trades under the ticker symbol VRSK on the NASDAQ Global Select Market.

**2. Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the U.S. ( U.S. GAAP ). The preparation of financial statements in conformity with these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include acquisition purchase price allocations, the fair value of goodwill, the realization of deferred tax assets, acquisition related liabilities, fair value of stock-based compensation, liabilities for pension and postretirement benefits, and the estimate for the allowance for doubtful accounts. Actual results may ultimately differ from those estimates. Certain reclassifications have been made related to the segment reporting within Decision Analytics revenue categories in the notes to the condensed consolidated financial statements to conform to the respective 2012 presentation.

The condensed consolidated financial statements as of March 31, 2012 and for the three-month periods ended March 31, 2012 and 2011, in the opinion of management, include all adjustments, consisting of normal recurring accruals, to present fairly the Company s financial position, results of operations and cash flows. The operating results for the three-month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year. The condensed consolidated financial statements and related notes for the three-month period ended March 31, 2012 have been prepared on the same basis as and should be read in conjunction with the annual report on Form 10-K for the year ended December 31, 2011. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules of the Securities and Exchange Commission ( SEC ). The Company believes the disclosures made are adequate to keep the information presented from being misleading.

*Recent Accounting Pronouncement*

In June 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income* ( ASU No. 2011-05 ). Under ASU No. 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU No. 2011-05 did not have a material impact on the Company s condensed consolidated financial statements, though it changed the financial statement presentation.

**3. Investments:**

The following is a summary of available-for-sale securities:

| | Adjusted Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
|---|---|---|---|---|
| **March 31, 2012** | | | | |
| Registered investment companies | $ 4,841 | $ 118 | $ | $ 4,959 |
| Equity securities | 14 | | (5) | 9 |
| Total available-for-sale securities | $ 4,855 | $ 118 | $ (5) | $ 4,968 |
| **December 31, 2011** | | | | |
| Registered investment companies | $ 4,618 | $ 439 | $ | $ 5,057 |
| Equity securities | 14 | | (5) | 9 |
| Total available-for-sale securities | $ 4,632 | $ 439 | $ (5) | $ 5,066 |

In addition to the available-for-sale securities above, the Company has equity investments in non-public companies in which the Company acquired non-controlling interests and for which no readily determinable market value exists. These securities were accounted for under the cost method in accordance with Accounting Standards Codification ( ASC ) 323-10-25, *The Equity Method of Accounting for Investments in Common Stock* ( ASC 323-10-25 ). At March 31, 2012 and December 31, 2011, the carrying value of such securities was $5,443 and $3,443 for each period and has been included in Other assets in the accompanying condensed consolidated balance sheets.

**4. Fair Value Measurements:**

Certain assets and liabilities of the Company are reported at fair value in the accompanying condensed consolidated balance sheets. Such assets and liabilities include amounts for both financial and non-financial instruments. To increase consistency and comparability of assets and liabilities recorded at fair value, ASC 820-10, *Fair Value Measurements* ( ASC 820-10 ) establishes a three-level fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. ASC 820-10 requires disclosures detailing the extent to which companies measure assets and liabilities at fair value, the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. In accordance with ASC 820-10, the Company applied the following fair value hierarchy:

Level 1 - Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments.

Level 2 - Assets and liabilities valued based on observable market data for similar instruments.

Level 3 - Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and considers risk premiums that market participant would require.

The following table provides information for such assets and liabilities as of March 31, 2012 and December 31, 2011. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, acquisitions related liabilities prior to the adoption of ASC 805, *Business Combinations* ( ASC 805 ), and short-term debt approximate their carrying amounts because of the short-term maturity of these instruments. The short-term debt would be a Level 2 liability if it was measured at fair value on the condensed consolidated balance sheets. The fair value of the Company s long-term debt was estimated at $1,190,067 and $1,181,788 as of March 31, 2012 and December 31, 2011, respectively, and would be a Level 2 liability if the long-term debt was measured at fair value on the condensed consolidated balance sheets. The long term debt is based on quoted market prices if available, and if not, an estimate of interest rates available to the Company for debt with similar features, the Company s current credit rating and spreads applicable to the Company. These assets and liabilities are not presented in the following table.

| | | Total | | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|---|---|---|---|
| **March 31, 2012** | | | | | | | | |
| Cash equivalents money-market funds | $ | 1,640 | $ | | $ | 1,640 | $ | |
| Registered investment companies (1) | $ | 4,959 | $ | 4,959 | $ | | $ | |
| Equity securities (1) | $ | 9 | $ | 9 | $ | | $ | |
| **December 31, 2011** | | | | | | | | |
| Cash equivalents money-market funds | $ | 2,449 | $ | | $ | 2,449 | $ | |
| Registered investment companies (1) | $ | 5,057 | $ | 5,057 | $ | | $ | |
| Equity securities (1) | $ | 9 | $ | 9 | $ | | $ | |

(1) Registered investment companies and equity securities are classified as available-for-sale securities and are valued using quoted prices in active markets multiplied by the number of shares owned.

**5. Goodwill and Intangible Assets:**

The following is a summary of the change in goodwill from December 31, 2011 through March 31, 2012, both in total and as allocated to the Company s operating segments:

| | Risk Assessment | Decision Analytics | Total |
|---|---|---|---|
| Goodwill at December 31, 2011 (1) | $ 27,908 | $ 682,036 | $ 709,944 |
| Current year acquisition | | 223,354 | 223,354 |
| Goodwill at March 31, 2012 (1) | $ 27,908 | $ 905,390 | $ 933,298 |

(1) These balances are net of accumulated impairment charges of $3,244 that occurred prior to January 1, 2009.

Goodwill and intangible assets with indefinite lives are subject to impairment testing annually as of June 30, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Goodwill impairment testing compares the carrying value of each reporting unit to its fair value. If the fair value of the reporting unit exceeds the carrying value of the net assets, including goodwill assigned to that reporting unit, goodwill is not impaired. If the carrying value of the reporting unit s net assets including goodwill exceeds the fair value of the reporting unit, then the Company will determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then an impairment loss is recorded for the difference between the carrying amount and the implied fair value of goodwill. The Company completed the required annual impairment test as of June 30, 2011, which resulted in no impairment of goodwill.

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The Company s intangible assets and related accumulated amortization consisted of the following:

| | Weighted Average Useful Life | Cost | Accumulated Amortization | Net |
|---|---|---|---|---|
| **March 31, 2012** | | | | |
| Technology-based | 7 years | $ 278,764 | $ (159,883) | $ 118,881 |
| Marketing-related | 5 years | 63,552 | (34,108) | 29,444 |
| Contract-based | 6 years | 6,555 | (6,531) | 24 |
| Customer-related | 12 years | 273,237 | (45,844) | 227,393 |
| Total intangible assets | | $ 622,108 | $ (246,366) | $ 375,742 |
| **December 31, 2011** | | | | |
| Technology-based | 7 years | $ 235,654 | $ (155,333) | $ 80,321 |
| Marketing-related | 5 years | 48,770 | (33,190) | 15,580 |
| Contract-based | 6 years | 6,555 | (6,482) | 73 |
| Customer-related | 13 years | 173,224 | (42,774) | 130,450 |
| Total intangible assets | | $ 464,203 | $ (237,779) | $ 226,424 |

Consolidated amortization expense related to intangible assets for the three months ended March 31, 2012 and 2011, was $8,587 and $8,455, respectively. Estimated amortization expense in future periods through 2017 and thereafter for intangible assets subject to amortization is as follows:

| Year | Amount |
|---|---|
| 2012 | $ 36,279 |
| 2013 | 42,978 |
| 2014 | 35,851 |
| 2015 | 33,387 |
| 2016 | 32,255 |
| 2017 and Thereafter | 194,992 |
| | $ 375,742 |

**6. Acquisitions:**

***2012 Acquisitions***

On March 30, 2012, the Company acquired 100% of the stock of MediConnect Global, Inc. ( MediConnect ), a service provider of medical record retrieval, digitization, coding, extraction, and analysis, for a net cash purchase price of approximately $330,777 and funded $17,000 of indemnity escrows. Within the Company s Decision Analytics segment, MediConnect further supports the Company s objective as the leading provider of data, analytics, and decision-support solutions to the healthcare and property casualty industry.

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The preliminary purchase price allocation of the acquisition resulted in the following:

| | MediConnect |
|---|---|
| Accounts receivable | $ 7,077 |
| Current assets | 14,918 |
| Fixed assets | 1,075 |
| Intangible assets | 157,905 |
| Goodwill | 223,354 |
| Other assets | 17,087 |
| Total assets acquired | 421,416 |
| Current liabilities | 3,005 |
| Other liabilities | 70,634 |
| Total liabilities assumed | 73,639 |
| Net assets acquired | $ 347,777 |

The amounts assigned to intangible assets by type for the current year acquisition are summarized in the table below:

| | Weighted Average Useful Life | MediConnect |
|---|---|---|
| Technology-based | 10 years | $ 43,110 |
| Marketing-related | 4 years | 14,782 |
| Customer-related | 10 years | 100,013 |
| Total intangible assets | 9 years | $ 157,905 |

For the three months ended March 31, 2012, the Company incurred preliminary transaction costs related to this acquisition of $810 included within Selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Due to the timing of the acquisition, the allocations of the purchase price are subject to revisions as additional information is obtained about the facts and circumstances that existed as of the acquisition date. The revisions may have a material impact on the consolidated financial statements. The allocations of the purchase price will be finalized once all information is obtained, but not to exceed one year from the acquisition date.

Supplemental information on an unaudited pro forma basis is presented below as if the acquisition of MediConnect occurred at the beginning of the year 2011. The pro forma information for the three months ended March 31, 2012 and 2011 presented below is based on estimates and assumptions, which the Company believes are reasonable and is not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had this acquisition been completed at the beginning of 2011. The unaudited pro forma information includes intangible asset amortization charges and incremental borrowing costs as a result of the acquisition, net of related tax, estimated using the Company s effective tax rate for continuing operations for the period.

| | For the Three Months Ended March 31, 2012 | 2011 |
|---|---|---|
| | (unaudited) | |
| Pro forma revenues | $ 363,659 | $ 323,095 |
| Pro forma net income | $ 73,359 | $ 62,157 |

| | | | | |
|---|---|---|---|---|
| Pro forma basic net income per share | $ | 0.45 | $ | 0.37 |
| Pro forma diluted net income per share | $ | 0.43 | $ | 0.35 |

***2011 Acquisitions***

On June 17, 2011, the Company acquired the net assets of Health Risk Partners, LLC ( HRP ), a provider of solutions to optimize revenue, ensure compliance and improve quality of care for Medicare Advantage and Medicaid health plans, for a net cash purchase price of approximately $46,400 and funded $3,000 of indemnity escrows and $10,000 of contingency escrows. Within the Company s Decision Analytics segment, this acquisition further advances the Company s position as a major provider of data, analytics, and decision-support solutions to the healthcare vertical market.

On April 27, 2011, the Company acquired 100% of the stock of Bloodhound Technologies, Inc. ( Bloodhound ), a provider of real-time pre-adjudication medical claims editing, for a net cash purchase price of approximately $75,321 and funded $6,560 of indemnity escrows. Within the Company s Decision Analytics segment, Bloodhound addresses the need of healthcare payers to control fraud and waste in a real-time claims-processing environment, and these capabilities align with the Company s existing fraud identification tools in the healthcare vertical market.

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The allocation of the purchase price to goodwill, accrued liabilities, and the determination of a liability under ASC 740-10-25, *Accounting for Uncertainty in Income Taxes* ( ASC 740-10-25 ) is subject to revisions for HRP and Bloodhound, which may have an impact on the condensed consolidated financial statements. As the values of such assets and liabilities were preliminary in nature as of March 31, 2012, it may be subject to adjustments during the measurement period as additional information is obtained about the facts and circumstances that existed as of the acquisition date. In accordance with ASC 805, the allocation of the purchase price will be finalized once all information is obtained, but not to exceed one year from the acquisition date. The goodwill associated with Bloodhound is not deductible for tax purposes; whereas the goodwill associated with HRP is deductible for tax purposes as this was an asset purchase rather than a stock purchase.

***Acquisition Escrows***

Pursuant to the related acquisition agreements, the Company has funded various escrow accounts to satisfy pre-acquisition indemnity and tax claims arising subsequent to the acquisition date, as well as a portion of the contingent payments. At March 31, 2012 and December 31, 2011, the current portion of the escrows amounted to $38,470 and $36,967, and the noncurrent portion of the escrow amounted to $20,011 and $4,508, respectively. The current and noncurrent portions of the escrows have been included in Other current assets and Other assets in the accompanying condensed consolidated balance sheets, respectively.

**7. Income Taxes:**

The Company s effective tax rate for the three months ended March 31, 2012 was 39.4% compared to the effective tax rate for the three months ended March 31, 2011 of 40.1%. The March 31, 2012 effective tax rate is lower than the March 31, 2011 effective tax rate primarily due to the continued execution of tax planning strategies. The difference between statutory tax rates and the Company s effective tax rate are primarily attributable to state taxes and non-deductible share appreciation from the KSOP.

**8. Debt:**

The following table presents short-term and long-term debt by issuance:

| | Issuance Date | Maturity Date | March 31, 2012 | December 31, 2011 |
|---|---|---|---|---|
| Short-term debt and current portion of long-term debt: | | | | |
| Syndicated revolving credit facility | Various | Various | $ 125,000 | $ |
| Capital lease obligations and other | Various | Various | 5,478 | 5,554 |
| Short-term debt and current portion of long-term debt | | | $ 130,478 | $ 5,554 |
| Long-term debt: | | | | |
| Verisk senior notes: | | | | |
| 5.800% senior notes, less unamortized discount of $941 and $967 as of March 31, 2012 and December 31, 2011, respectively | 4/6/2011 | 5/1/2021 | $ 449,059 | 449,033 |
| 4.875% senior notes, less unamortized discount of $2,291 and $2,376 as of March 31, 2012 and December 31, 2011, respectively | 12/8/2011 | 1/15/2019 | 247,709 | 247,624 |
| Prudential senior notes: | | | | |
| 6.13% Series G senior notes | 8/8/2006 | 8/8/2013 | 75,000 | 75,000 |
| 5.84% Series H senior notes | 10/26/2007 | 10/26/2013 | 17,500 | 17,500 |
| 5.84% Series H senior notes | 10/26/2007 | 10/26/2015 | 17,500 | 17,500 |
| 6.28% Series I senior notes | 4/29/2008 | 4/29/2013 | 15,000 | 15,000 |
| 6.28% Series I senior notes | 4/29/2008 | 4/29/2015 | 85,000 | 85,000 |
| 6.85% Series J senior notes | 6/15/2009 | 6/15/2016 | 50,000 | 50,000 |
| Principal senior notes: | | | | |
| 6.16% Series B senior notes | 8/8/2006 | 8/8/2013 | 25,000 | 25,000 |
| New York Life senior notes: | | | | |
| 5.87% Series A senior notes | 10/26/2007 | 10/26/2013 | 17,500 | 17,500 |
| 5.87% Series A senior notes | 10/26/2007 | 10/26/2015 | 17,500 | 17,500 |
| 6.35% Series B senior notes | 4/29/2008 | 4/29/2015 | 50,000 | 50,000 |
| Aviva Investors North America: | | | | |
| 6.46% Series A senior notes | 4/27/2009 | 4/27/2013 | 30,000 | 30,000 |
| Other obligations: | | | | |
| Capital lease obligations and other | Various | Various | 2,517 | 3,675 |

| | | |
|---|---|---|
| Long-term debt | $ 1,099,285 | $ 1,100,332 |
| Total debt | $ 1,229,763 | $ 1,105,886 |

As of March 31, 2012, the Company has a $725,000 syndicated revolving credit facility with Bank of America N.A., JPMorgan Chase N.A., Morgan Stanley, N.A., Wells Fargo Bank N.A., Sovereign Bank, RBS Citizens, N.A., Sun Trust Bank, The Northern Trust Company, and TD Bank. Borrowings may be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchase programs. This committed senior unsecured facility expires in October 2016. As of March 31, 2012 and December 31, 2011, the Company had $125,000 and $0 outstanding under this agreement, respectively.

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On April 2, 2012, the Company facilitated a drawdown of $75,000 on the syndicated revolving credit facility to primarily complete a voluntary prefunding to the pension plan. See Note 11 in the condensed consolidated financial statements included in this quarterly report on Form 10-Q for further discussion.

**9. Stockholders Deficit:**

The Company has 1,200,000,000 shares of Class A common shares. The Class A common shares have rights to any dividend declared by the board of directors, subject to any preferential or other rights of any outstanding preferred stock, and voting rights to elect all eleven members of the board of directors.

***Share Repurchase Program***

The Company has authorized repurchases of up to $900,000 of its common stock through its share repurchase program (the Repurchase Program ) initiated in April 2010 and as of March 31, 2012, the Company had $267,854 available to repurchase shares. The Company has no obligation to repurchase stock under this program and intends to use this authorization as a means of offsetting dilution from the issuance of shares under the KSOP, the Verisk Analytics, Inc. 2009 Equity Incentive Plan (the Incentive Plan ) and the Insurance Services Office, Inc. 1996 Incentive Plan (the Option Plan ), while providing flexibility to repurchase additional shares if warranted. This authorization has no expiration date and may be increased, reduced, suspended, or terminated at any time. Repurchased shares will be recorded as treasury stock and will be available for future issuance as part of the Repurchase Program.

During the three months ended March 31, 2012, the Company repurchased 917,987 shares of Class A common stock as part of this program at a weighted average price of $42.40 per share. The Company utilized cash from operations and the proceeds from its senior notes and syndicated revolving credit facility to fund these repurchases. As treasury stock purchases are recorded based on trade date, the Company has included $3,332 in Accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets for those purchases that have not settled as of March 31, 2012.

***Earnings Per Share ( EPS )***

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding, using the treasury stock method, if the dilutive potential common shares, including stock options and nonvested restricted stock, had been issued.

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three-month periods ended March 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Numerator used in basic and diluted EPS: | | |
| Net income | $ 74,601 | $ 65,876 |
| Denominator: | | |
| Weighted average number of common shares used in basic EPS | 164,836,992 | 169,030,227 |
| Effect of dilutive shares: | | |
| Potential Class A common stock issuable from stock options and stock awards | 6,513,828 | 7,933,965 |
| Weighted average number of common shares and dilutive potential common shares used in diluted EPS | 171,350,820 | 176,964,192 |
| Basic net income per share | $ 0.45 | $ 0.39 |
| Diluted net income per share | $ 0.44 | $ 0.37 |

The potential shares of common stock that were excluded from diluted EPS were 3,619 and 1,957,020 for the three months ended March 31, 2012 and 2011, respectively, because the effect of including these potential shares was anti-dilutive.

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*Accumulated Other Comprehensive Losses*

The following is a summary of accumulated other comprehensive losses:

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Unrealized gains on investments, net of tax | $ 72 | $ 269 |
| Unrealized foreign currency losses | (822) | (975) |
| Pension and postretirement unfunded liability adjustment, net of tax | (76,653) | (77,581) |
| Accumulated other comprehensive losses | $ (77,403) | $ (78,287) |

The before tax and after tax amounts of other comprehensive income for the three months ended March 31, 2012 and 2011 are summarized below:

| | Before Tax | Tax Benefit/ (Expense) | After Tax |
|---|---|---|---|
| **For the Three Months Ended March 31, 2012** | | | |
| Unrealized holding loss on investments | $ (321) | $ 124 | $ (197) |
| Unrealized foreign currency gain | 153 | | 153 |
| Pension and postretirement unfunded liability adjustment | 1,708 | (780) | 928 |
| Total other comprehensive income | $ 1,540 | $ (656) | $ 884 |
| **For the Three Months Ended March 31, 2011** | | | |
| Unrealized holding loss on investments | $ (218) | $ 92 | $ (126) |
| Unrealized foreign currency gain | 338 | | 338 |
| Pension and postretirement unfunded liability adjustment | 1,336 | (582) | 754 |
| Total other comprehensive income | $ 1,456 | $ (490) | $ 966 |

**10. Equity Compensation Plans:**

All of the Company s granted equity awards, including outstanding stock options and restricted stock, are covered under the Incentive Plan or the Option Plan. Awards under the Incentive Plan may include one or more of the following types: (i) stock options (both nonqualified and incentive stock options), (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance awards, (vi) other share-based awards, and (vii) cash. Employees, directors and consultants are eligible for awards under the Incentive Plan. On July 1, 2011, the Company began issuing Class A common stock under these plans from the Company s treasury shares. Cash received from stock option exercises for the three months ended March 31, 2012 and 2011 was $14,589 and $3,579, respectively. The Company did not grant any stock options for the three months ended March 31, 2012 and 2011. As of March 31, 2012, there were 6,955,761 shares of Class A common stock reserved and available for future issuance.

On April 1, 2012, the Company granted 785,079 nonqualified stock options and 229,009 shares of restricted stock to key employees. The nonqualified stock options have an exercise price equal to the closing price of the Company s Class A common stock on March 30, 2012, with a ten-year contractual term and a service vesting period of four years. The restricted stock is valued at the closing price of the Company s Class A common stock on March 30, 2012 and has a service vesting period of four years. The Company recognizes the expense of the restricted stock ratably over the periods in which the restrictions lapse. The restricted stock is not assignable or transferrable until it becomes vested.

The expected term for a majority of the stock options granted was estimated based on studies of historical experience and projected exercise behavior. However, for certain stock options granted, for which no historical exercise pattern exists, the expected term was estimated using the simplified method. The risk-free interest rate is based on the yield of U.S. Treasury zero coupon securities with a maturity equal to the expected term of the equity award. The volatility factor was based on the average volatility of the Company s peers, calculated using historical daily closing prices over the most recent period that is commensurate with the expected term of the stock option award. The expected dividend yield was based on the Company s expected annual dividend rate on the date of grant.

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A summary of options outstanding under the Incentive Plan and the Option Plan as of December 31, 2011 and March 31, 2012 and changes during the interim period is presented below:

| | Number of Options | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|---|---|---|---|
| Outstanding at December 31, 2011 | 18,896,405 | $ 16.55 | $ 445,510 |
| Exercised | (2,181,515) | $ 6.69 | $ 77,692 |
| Cancelled or expired | (18,830) | $ 20.84 | |
| Outstanding at March 31, 2012 | 16,696,060 | $ 17.84 | $ 486,392 |
| Options exercisable at March 31, 2012 | 10,624,682 | $ 13.85 | $ 351,903 |
| Options exercisable at December 31, 2011 | 12,153,311 | $ 12.35 | $ 337,647 |

Intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the quoted price of Verisk s common stock as of the reporting date. The aggregate intrinsic value of stock options outstanding and exercisable at March 31, 2012 was $486,392 and $351,903, respectively. In accordance with ASC 718, *Stock Compensation*, excess tax benefit from exercised stock options is recorded as an increase to additional paid-in capital and a corresponding reduction in taxes payable. This tax benefit is calculated as the excess of the intrinsic value of options exercised in excess of compensation recognized for financial reporting purposes. The amount of the tax benefit that has been realized, as a result of those excess tax benefits, is presented as a financing cash inflow within the accompanying condensed consolidated statements of cash flows. For the three months ended March 31, 2012 and 2011, the Company recorded excess tax benefit from stock options exercised of $29,705 and $1,383, respectively. The Company did not realize any tax benefit within the Company s quarterly tax payments through each of March 31, 2012 and 2011.

The Company estimates expected forfeitures of equity awards at the date of grant and recognizes compensation expense only for those awards that the Company expects to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Changes in the forfeiture assumptions may impact the total amount of expense ultimately recognized over the requisite service period and may impact the timing of expense recognized over the requisite service period.

A summary of the status of the restricted stock awarded under the Incentive Plan as of December 31, 2011 and March 31, 2012 and changes during the interim period is presented below:

| | Number of shares | Weighted average grant date fair value |
|---|---|---|
| Outstanding at December 31, 2011 | 145,634 | $ 33.32 |
| Vested | (548) | $ 33.30 |
| Forfeited | (128) | $ 33.30 |
| Outstanding at March 31, 2012 | 144,958 | $ 33.32 |

As of March 31, 2012, there was $33,028 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Incentive Plan and the Option Plan. That cost is expected to be recognized over a weighted average period of 2.19 years. As of March 31, 2012, there were 6,071,378 and 144,958 nonvested stock options and restricted stock, respectively, of which 5,326,199 and 116,798 are expected to vest. The total grant date fair value of options vested during the three months ended March 31, 2012 and 2011 was $4,989 and $4,818 respectively. The total grant date fair value of restricted stock vested during the three months ended March 31, 2012 was $305.

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**11. Pension and Postretirement Benefits:**

The Company maintained a qualified benefit pension plan for substantially all of its employees through membership in the Pension Plan for Insurance Organizations (the Pension Plan ), a multiple-employer trust. Effective January 1, 2002, the Company amended the Pension Plan to determine future benefits using a cash balance formula. Under the cash balance formula, each participant has an account, which is credited annually based on salary rates determined by years of service, as well as the interest earned on their previous year-end cash balance. Effective March 1, 2005, the Company established the Profit Sharing Plan, a defined contribution plan, to replace the Pension Plan for all eligible employees hired on or after March 1, 2005. The Company also has a nonqualified supplemental cash balance plan ( SERP ) for certain employees. The SERP is funded from the general assets of the Company.

On February 29, 2012, the Company instituted a hard freeze, which eliminated all future compensation and services credits, to participants in the Pension Plan and SERP. Accordingly, the Company remeasured the assets and liabilities of both plans and recognized a curtailment, resulting in a net reduction in the unfunded pension liability of $10,466 as of March 31, 2012. There is no longer a service cost component in the net periodic benefit cost as all participants are considered inactive in both plans. The Company generally amortized the actuarial gains and losses for the plans over the average future service period of the active participants. However, beginning February 29, 2012, the Company is amortizing the actuarial losses over the remaining life of the inactive plan participants since all are now considered inactive. The February 29, 2012 remeasurement was based upon a weighted average discount rate of 4.73%, compared to the rate of 4.98% used for the year ended December 31, 2011.

The Company also provides certain healthcare and life insurance benefits for both active and retired employees. The Postretirement Health and Life Insurance Plan (the Postretirement Plan ) is contributory, requiring participants to pay a stated percentage of the premium for coverage. As of October 1, 2001, the Postretirement Plan was amended to freeze benefits for current retirees and certain other employees at the January 1, 2002 level. Also, as of October 1, 2001, the Postretirement Plan had a curtailment, which eliminated retiree life insurance for all active employees and healthcare benefits for almost all future retirees, effective January 1, 2002.

The components of net periodic benefit cost and the amounts recognized in other comprehensive income for the three-month periods ended March 31, 2012 and 2011 are summarized below:

| | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | Pension Plan and SERP | | Postretirement Plan | |
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | $ 282 | $ 1,570 | $ | $ |
| Interest cost | 5,154 | 5,441 | 175 | 251 |
| Expected return on plan assets | (7,068) | (6,465) | | |
| Curtailment gain | (779) | | | |
| Amortization of prior service cost | (133) | (200) | (38) | (36) |
| Amortization of net actuarial loss | 1,741 | 1,409 | 138 | 163 |
| Net periodic benefit cost | $ (803) | $ 1,755 | $ 275 | $ 378 |
| Employer contributions | $ 6,993 | $ 6,168 | $ 4,069 | $ 315 |

In March 2012, the Company established a voluntary employees beneficiary association plan (the VEBA Plan ) under Section 501(c)(9) of the Internal Revenue Code to fund the Postretirement Plan. The Company contributed $3,500 to the VEBA Plan for the three months ended March 31, 2012. The contribution to the Postretirement Plan for the remaining quarters for the year ending December 31, 2012 is expected to be consistent with this quarter. In addition, in April 2012, the Company completed a voluntary prefunding to the Pension Plan of $72,000, which will result in a total contribution of $78,837 for the year, of which $28,206 was the minimum contribution requirement for 2012. Since the Company has fulfilled the minimum contribution requirement for the year ending December 31, 2012, the Company does not expect to make any further contribution to the Pension Plan.

**12. Segment Reporting:**

ASC 280-10, *Disclosures About Segments of an Enterprise and Related Information* ( ASC 280-10 ), establishes standards for reporting information about operating segments. ASC 280-10 requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker ( CODM ) in deciding how to allocate resources and in assessing performance. The Company s CEO and Chairman of the Board is identified as the CODM as defined by ASC 280-10. To align with the internal management of the Company s business operations based on service offerings, the Company is organized into the following two operating segments, which are also the Company s reportable segments:

***Risk Assessment:*** The Company is the leading provider of statistical, actuarial and underwriting data for the U.S. P&C insurance industry. The Company s databases include cleansed and standardized records describing premiums and losses in insurance transactions, casualty and property risk attributes for commercial buildings and their occupants and fire suppression capabilities of municipalities. The Company uses this data to create policy language and proprietary risk classifications that are industry standards and to generate prospective loss cost estimates used to price insurance policies.

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***Decision Analytics:*** The Company develops solutions that its customers use to analyze the three key processes in managing risk: prediction of loss , detection and prevention of fraud and quantification of loss . The Company s combination of algorithms and analytic methods incorporates its proprietary data to generate solutions in each of these three categories. In most cases, the Company s customers integrate the solutions into their models, formulas or underwriting criteria in order to predict potential loss events, ranging from hurricanes and earthquakes to unanticipated healthcare claims. The Company develops catastrophe and extreme event models and offers solutions covering natural and man-made risks, including acts of terrorism. The Company also develops solutions that allow customers to quantify costs after loss events occur. Fraud solutions include data on claim histories, analysis of mortgage applications to identify misinformation, analysis of claims to find emerging patterns of fraud, and identification of suspicious claims in the insurance, mortgage and healthcare sectors. Effective December 31, 2011, the Company provided additional disclosure about its revenue within Decision Analytics segment based on the industry vertical groupings of insurance, mortgage and financial services, healthcare and specialized markets. Previously, the Company disclosed revenue based on the classification of its solution as fraud identification and detection solutions, loss prediction solutions and loss quantification solutions.

The two aforementioned operating segments represent the segments for which separate discrete financial information is available and upon which operating results are regularly evaluated by the CODM in order to assess performance and allocate resources. The Company uses segment EBITDA as the profitability measure for making decisions regarding ongoing operations. Segment EBITDA is net income before investment income, realized gain on securities, net, interest expense, income taxes, depreciation and amortization. Segment EBITDA is the measure of operating results used to assess corporate performance and optimal utilization of debt and acquisitions. Segment operating expenses consist of direct and indirect costs principally related to personnel, facilities, software license fees, consulting, travel, and third-party information services. Indirect costs are generally allocated to the segments using fixed rates established by management based upon estimated expense contribution levels and other assumptions that management considers reasonable. The Company does not allocate investment income, realized gain on securities, net, interest expense, and income tax expense, since these items are not considered in evaluating the segment s overall operating performance. The CODM does not evaluate the financial performance of each segment based on assets. On a geographic basis, no individual country outside of the U.S. accounted for 1% or more of the Company s consolidated revenue for either the three-month periods ended March 31, 2012 or 2011. No individual country outside of the U.S. accounted for 1% or more of total consolidated long-term assets as of March 31, 2012 or December 31, 2011.

The following table provides the Company s revenue and operating income performance by reportable segment for the three-month periods ended March 31, 2012 and 2011, as well as reconciliations to income before income taxes for all periods presented in the accompanying condensed consolidated statements of operations:

| | For the Three Months Ended March 31, 2012 | | | For the Three Months Ended March 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Risk Assessment | Decision Analytics | Total | Risk Assessment | Decision Analytics | Total |
| Revenues | $ 144,969 | $ 201,532 | $ 346,501 | $ 140,543 | $ 172,326 | $ 312,869 |
| Expenses: | | | | | | |
| Cost of revenues (exclusive of items shown separately below) | 45,432 | 87,898 | 133,330 | 47,257 | 77,299 | 124,556 |
| Selling, general and administrative | 19,602 | 34,377 | 53,979 | 19,127 | 30,129 | 49,256 |
| Segment EBITDA | 79,935 | 79,257 | 159,192 | 74,159 | 64,898 | 139,057 |
| Depreciation and amortization of fixed assets | 3,159 | 8,485 | 11,644 | 4,318 | 6,987 | 11,305 |
| Amortization of intangible assets | | 8,587 | 8,587 | 36 | 8,419 | 8,455 |
| Operating income | 76,776 | 62,185 | 138,961 | 69,805 | 49,492 | 119,297 |
| Unallocated expenses: | | | | | | |
| Investment income | | | 105 | | | 10 |
| Realized gain on securities, net | | | 330 | | | 362 |
| Interest expense | | | (16,385) | | | (9,615) |
| Income before income taxes | | | $ 123,011 | | | $ 110,054 |
| Capital expenditures, including noncash purchases of fixed assets and capital lease obligations | $ 2,700 | $ 13,232 | $ 15,932 | $ 3,395 | $ 15,345 | $ 18,740 |

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Operating segment revenue by type of service is provided below:

| | For the Three Months Ended | |
|---|---|---|
| | March 31, 2012 | March 31, 2011 |
| Risk Assessment: | | |
| Industry-standard insurance programs | $ 99,134 | $ 92,857 |
| Property-specific rating and underwriting information | 32,557 | 34,497 |
| Statistical agency and data services | 7,724 | 7,742 |
| Actuarial services | 5,554 | 5,447 |
| Total Risk Assessment | 144,969 | 140,543 |
| Decision Analytics: | | |
| Insurance | 116,336 | 105,300 |
| Mortgage and financial services | 34,275 | 32,696 |
| Healthcare | 30,448 | 15,617 |
| Specialized markets | 20,473 | 18,713 |
| Total Decision Analytics | 201,532 | 172,326 |
| Total revenues | $ 346,501 | $ 312,869 |

**13. Related Parties:**

The Company considers its stockholders that own more than 5% of the outstanding stock within a respective class to be related parties as defined within ASC 850, *Related Party Disclosures*. In 2011, all of the Company s outstanding Class B-1 and Class B-2 shares converted to Class A. As a result of the conversion, the Company had no related parties owning more than 5% of a class of stock as of March 31, 2012.

At March 31, 2011, there were four Class A and four Class B stockholders, each owning more than 5% of the respective outstanding class. The Company had revenues from related parties for the three months ended March 31, 2012 and 2011 of $0 and $4,396, respectively.

**14. Commitments and Contingencies:**

The Company is a party to legal proceedings with respect to a variety of matters in the ordinary course of business, including the matters described below. With respect to ongoing matters, the Company is unable, at the present time, to determine the ultimate resolution of or provide a reasonable estimate of the range of possible loss attributable to these matters or the impact it may have on the Company s results of operations, financial position or cash flows. This is primarily because the matters are in early stages and discovery has either not commenced or been completed. Although the Company believes it has strong defenses and intends to vigorously defend these matters, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations, financial position or cash flows.

***Citizens Insurance Litigation***

On February 28, 2012, the Company was served with a complaint filed in the Florida State Circuit Court for Pasco County naming Citizens Property Insurance Corporation ( Citizens ) and the Company s Xactware subsidiary. The complaint alleged a class action seeking declaratory and injunctive relief against defendants and was brought on behalf of all individuals who have purchased a new or renewed a property casualty insurance policy from Citizens where Citizens used Xactware s 360Value product to determine replacement value of the property. On March 12, 2012, plaintiffs served an amended complaint on Xactware adding additional causes of action alleging: (1) Citizens and Xactware knowingly made false statements to the plaintiff class concerning their properties replacement cost values; (2) fraud against Xactware based on its alleged misrepresentation of the replacement value of plaintiffs properties; (3) conspiracy against Citizens and Xactware based on their alleged artificial inflation of the value of plaintiffs properties; and (4) products liability against Xactware, claiming Xactware defectively designed 360Value as used in the Florida insurance market.

The amended complaint seeks declaratory and injunctive relief, as well as unspecified monetary damages alleged to be in excess of $1,000 for the class. At this time, it is not possible to determine the ultimate resolution of, or estimate the liability related to, this matter.

***Intellicorp Records, Inc. Litigation***

On April 20, 2012, the Company was served with a complaint filed on April 16, 2012 in Alameda County Superior Court in California naming the Company s subsidiary Intellicorp Records, Inc. The complaint titled *Jane Roe v. Intellicorp Records, Inc. et al.* alleges a nationwide putative class action on behalf of all persons who have been the subject of a consumer report furnished to a third party by Intellicorp for employment purposes and whose report contained any negative public record of criminal arrest, charge or conviction during the 5 years preceding the filing of the action until final resolution. The complaint alleges that Intellicorp failed to implement policies and procedures designed to ensure that criminal record information provided to employers is complete and up to date, and failed to notify class members contemporaneously of the fact that criminal record information was being provided to their employers and prospective employers. The complaint seeks statutory damages for the class in an amount not less than one hundred dollars and not more than one thousand dollars per violation, punitive damages, costs and attorneys fees as well as unspecified monetary damages for the named plaintiff. At this time, it is not possible to determine the ultimate resolution of or estimate the liability related to this matter.

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**15. Condensed Consolidated Financial Information for Guarantor Subsidiaries and Non-Guarantor Subsidiaries**

In April and December 2011, Verisk Analytics, Inc. (the Parent Company ) registered senior notes with full and unconditional and joint and several guarantees by certain of its 100 percent wholly-owned subsidiaries and issued certain other debt securities with full and unconditional and joint and several guarantees by certain of its subsidiaries. Accordingly, presented below is condensed consolidating financial information for (i) the Parent Company, (ii) the guarantor subsidiaries of the Parent Company on a combined basis, and (iii) all other non-guarantor subsidiaries of the Parent Company on a combined basis, as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011. The condensed consolidating financial information has been presented using the equity method of accounting, to show the nature of assets held, results of operations and cash flows of the Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries assuming all guarantor subsidiaries provide both full and unconditional, and joint and several guarantees to the Parent Company at the beginning of the periods presented. Effective as of December 31, 2011, ISO Staff Services, Inc. ( ISOSS ), a guarantor of the senior notes, merged with and into ISO, also a guarantor of the senior notes, pursuant to which ISO was the surviving corporation. By virtue of the merger, ISO expressly assumed all of the obligations of ISOSS, including the guarantee by ISOSS of the senior notes.

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**CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)**

**As of March 31, 2012**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 1,255 | $ 39,449 | $ 74,226 | $ | $ 114,930 |
| Available-for-sale securities | | 4,968 | | | 4,968 |
| Accounts receivable, net of allowance for doubtful accounts of $3,990 | | 160,866 | 33,674 | | 194,540 |
| Prepaid expenses | | 25,849 | 2,770 | | 28,619 |
| Deferred income taxes, net | | 2,557 | 10,943 | | 13,500 |
| Federal and foreign income taxes receivable | 3,358 | 19,964 | | (4,431) | 18,891 |
| State and local income taxes receivable | 258 | 4,172 | 426 | | 4,856 |
| Intercompany receivables | 310,372 | 478,783 | 172,488 | (961,643) | |
| Other current assets | | 22,961 | 16,575 | | 39,536 |
| Total current assets | 315,243 | 759,569 | 311,102 | (966,074) | 419,840 |
| Noncurrent assets: | | | | | |
| Fixed assets, net | | 105,191 | 19,590 | | 124,781 |
| Intangible assets, net | | 76,899 | 298,843 | | 375,742 |
| Goodwill | | 481,736 | 451,562 | | 933,298 |
| Deferred income taxes, net | | 49,943 | | (49,943) | |
| Investment in subsidiaries | 683,100 | 452,633 | | (1,135,733) | |
| Other assets | 23,114 | 14,756 | 512 | | 38,382 |
| Total assets | 1,021,457 | 1,940,727 | $ 1,081,609 | $ (2,151,750) | $ 1,892,043 |
| **LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | $ 18,050 | $ 85,112 | $ 41,812 | $ | $ 144,974 |
| Acquisition related liabilities | | | 250 | | 250 |
| Short-term debt and current portion of long-term debt | | 129,833 | 645 | | 130,478 |
| Pension and postretirement benefits, current | | 2,912 | | | 2,912 |
| Fees received in advance | | 261,593 | 27,349 | | 288,942 |
| Intercompany payables | 316,897 | 422,047 | 222,699 | (961,643) | |
| Federal and foreign income taxes payable | | | 4,431 | (4,431) | |
| Total current liabilities | 334,947 | 901,497 | 297,186 | (966,074) | 567,556 |
| Noncurrent liabilities: | | | | | |
| Long-term debt | 696,768 | 402,335 | 182 | | 1,099,285 |
| Pension and postretirement benefits | | 115,549 | | | 115,549 |
| Deferred income taxes, net | | | 89,811 | (49,943) | 39,868 |
| Other liabilities | | 57,445 | 22,598 | | 80,043 |
| Total liabilities | 1,031,715 | 1,476,826 | 409,777 | (1,016,017) | 1,902,301 |
| Total stockholders (deficit)/equity | (10,258) | 463,901 | 671,832 | (1,135,733) | (10,258) |

| | | | | | |
|---|---|---|---|---|---|
| Total liabilities and stockholders (deficit)/equity | 1,021,457 | 1,940,727 | $ 1,081,609 | $ (2,151,750) | $ 1,892,043 |

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**CONDENSED CONSOLIDATING BALANCE SHEET**

**As of December 31, 2011**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 76,238 | $ 76,813 | $ 38,552 | $ | $ 191,603 |
| Available-for-sale securities | | 5,066 | | | 5,066 |
| Accounts receivable, net of allowance for doubtful accounts of $4,158 | | 128,214 | 25,125 | | 153,339 |
| Prepaid expenses | | 20,090 | 1,815 | | 21,905 |
| Deferred income taxes, net | | 2,557 | 1,261 | | 3,818 |
| Federal and foreign income taxes receivable | 7,905 | 23,024 | | (5,687) | 25,242 |
| State and local income taxes receivable | 618 | 10,392 | 423 | | 11,433 |
| Intercompany receivables | 250,177 | 482,172 | 147,996 | (880,345) | |
| Other current assets | | 26,094 | 15,154 | | 41,248 |
| Total current assets | 334,938 | 774,422 | 230,326 | (886,032) | 453,654 |
| Noncurrent assets: | | | | | |
| Fixed assets, net | | 102,202 | 17,209 | | 119,411 |
| Intangible assets, net | | 81,828 | 144,596 | | 226,424 |
| Goodwill | | 481,736 | 228,208 | | 709,944 |
| Deferred income taxes, net | | 50,267 | | (39,787) | 10,480 |
| Investment in subsidiaries | 601,380 | 104,430 | | (705,810) | |
| Other assets | 6,218 | 13,059 | 1,916 | | 21,193 |
| Total assets | $ 942,536 | $ 1,607,944 | $ 622,255 | $ (1,631,629) | $ 1,541,106 |
| **LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | $ 6,328 | $ 117,759 | $ 38,905 | $ | $ 162,992 |
| Acquisition related liabilities | | | 250 | | 250 |
| Short-term debt and current portion of long-term debt | | 5,161 | 393 | | 5,554 |
| Pension and postretirement benefits, current | | 4,012 | | | 4,012 |
| Fees received in advance | | 152,948 | 23,894 | | 176,842 |
| Intercompany payables | 338,041 | 354,362 | 187,942 | (880,345) | |
| Federal and foreign income taxes payable | | | 5,687 | (5,687) | |
| Total current liabilities | 344,369 | 634,242 | 257,071 | (886,032) | 349,650 |
| Noncurrent liabilities: | | | | | |
| Long-term debt | 696,657 | 403,586 | 89 | | 1,100,332 |
| Pension and postretirement benefits | | 127,748 | | | 127,748 |
| Deferred income taxes, net | | | 39,787 | (39,787) | |
| Other liabilities | | 58,158 | 3,708 | | 61,866 |
| Total liabilities | 1,041,026 | 1,223,734 | 300,655 | (925,819) | 1,639,596 |
| Total stockholders (deficit)/equity | (98,490) | 384,210 | 321,600 | (705,810) | (98,490) |

| | | | | | |
|---|---|---|---|---|---|
| Total liabilities and stockholders (deficit)/equity | $ 942,536 | $ 1,607,944 | $ 622,255 | $ (1,631,629) | $ 1,541,106 |

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**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)**

**For The Three Month Period Ended March 31, 2012**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ | $ 307,099 | $ 43,601 | $ (4,199) | $ 346,501 |
| Expenses: | | | | | |
| Cost of revenues (exclusive of items shown separately below) | | 116,339 | 19,372 | (2,381) | 133,330 |
| Selling, general and administrative | | 43,337 | 12,460 | (1,818) | 53,979 |
| Depreciation and amortization of fixed assets | | 9,551 | 2,093 | | 11,644 |
| Amortization of intangible assets | | 4,928 | 3,659 | | 8,587 |
| Total expenses | | 174,155 | 37,584 | (4,199) | 207,540 |
| Operating income | | 132,944 | 6,017 | | 138,961 |
| Other income/(expense): | | | | | |
| Investment income | 18 | 74 | 13 | | 105 |
| Realized gain on securities, net | | 330 | | | 330 |
| Interest expense | (9,869) | (6,507) | (9) | | (16,385) |
| Total other (expense)/income, net | (9,851) | (6,103) | 4 | | (15,950) |
| (Loss)/income before equity in net income of subsidiary and income taxes | (9,851) | 126,841 | 6,021 | | 123,011 |
| Equity in net income of subsidiary | 80,836 | 286 | | (81,122) | |
| Provision for income taxes | 3,616 | (48,320) | (3,706) | | (48,410) |
| Net income | $ 74,601 | $ 78,807 | $ 2,315 | $ (81,122) | $ 74,601 |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)**

**For The Three Month Period Ended March 31, 2011**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ | $ 279,580 | $ 35,122 | $ (1,833) | $ 312,869 |
| Expenses: | | | | | |
| Cost of revenues (exclusive of items shown separately below) | | 108,783 | 16,753 | (980) | 124,556 |
| Selling, general and administrative | | 36,478 | 13,631 | (853) | 49,256 |
| Depreciation and amortization of fixed assets | | 9,442 | 1,863 | | 11,305 |
| Amortization of intangible assets | | 5,320 | 3,135 | | 8,455 |

| | | | | | |
|---|---|---|---|---|---|
| Total expenses | | 160,023 | 35,382 | (1,833) | 193,572 |
| Operating income/(loss) | | 119,557 | (260) | | 119,297 |
| Other income/(expense): | | | | | |
| Investment income | | 14 | (4) | | 10 |
| Realized gain on securities, net | | 362 | | | 362 |
| Interest expense | | (9,595) | (20) | | (9,615) |
| Total other expense, net | | (9,219) | (24) | | (9,243) |
| Income/(loss) before equity in net income/(loss) of subsidiary and income taxes | | 110,338 | (284) | | 110,054 |
| Equity in net income/(loss) of subsidiary | 65,876 | (1,088) | | (64,788) | |
| Provision for income taxes | | (43,553) | (625) | | (44,178) |
| Net income/(loss) | $ 65,876 | $ 65,697 | $ (909) | $ (64,788) | $ 65,876 |

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**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)**

**For The Three Month Period Ended March 31, 2012**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $ | $ 163,339 | $ 26,274 | $ | $ 189,613 |
| Cash flows from investing activities: | | | | | |
| Acquisitions, net of cash acquired of $29,387 | | (330,777) | | | (330,777) |
| Purchase of non-controlling equity investment in non-public companies | | (2,000) | | | (2,000) |
| Escrow funding associated with acquisitions | | (17,000) | | | (17,000) |
| Repayments received from other subsidiaries | | 93,983 | | (93,983) | |
| Advances provided to other subsidiaries | | (32,087) | | 32,087 | |
| Purchases of fixed assets | | (13,737) | (3,705) | | (17,442) |
| Purchases of available-for-sale securities | | (791) | | | (791) |
| Proceeds from sales and maturities of available-for-sale securities | | 898 | | | 898 |
| Net cash used in investing activities | | (301,511) | (3,705) | (61,896) | (367,112) |
| Cash flows from financing activities: | | | | | |
| Proceeds of short-term debt, net | | 125,000 | | | 125,000 |
| Repayments of advances to other subsidiaries | (74,983) | | (19,000) | 93,983 | |
| Advances received from other subsidiaries | | | 32,087 | (32,087) | |
| Repurchase of Class A common stock | | (36,792) | | | (36,792) |
| Proceeds from stock options exercised | | 14,589 | | | 14,589 |
| Other financing | | (2,001) | (123) | | (2,124) |
| Net cash (used in)/provided by financing activities | (74,983) | 100,796 | 12,964 | 61,896 | 100,673 |
| Effect of exchange rate changes | | 12 | 141 | | 153 |
| (Decrease)/increase in cash and cash equivalents | (74,983) | (37,364) | 35,674 | | (76,673) |
| Cash and cash equivalents, beginning of period | 76,238 | 76,813 | 38,552 | | 191,603 |
| Cash and cash equivalents, end of period | $ 1,255 | $ 39,449 | $ 74,226 | $ | $ 114,930 |
| Supplemental disclosures: | | | | | |
| Increase in intercompany balances from the purchase of MediConnect by ISO | $ 17,000 | $ 347,777 | 330,777 | $ | $ |
| Increase in intercompany balances from the purchase of treasury stock by Verisk funded directly by ISO | $ 36,792 | $ 36,792 | $ | $ | $ |
| Increase in intercompany balances from proceeds received by ISO related to issuance of Verisk common stock from options exercised | $ 14,589 | $ 14,589 | $ | $ | $ |

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**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)**

**For The Three Month Period Ended March 31, 2011**

| | Verisk Analytics, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $ | $ 139,524 | $ 6,057 | $ | $ 145,581 |
| Cash flows from investing activities: | | | | | |
| Advances provided to other subsidiaries | | (8,606) | (15,936) | 24,542 | |
| Purchases of fixed assets | | (12,239) | (1,409) | | (13,648) |
| Purchases of available-for-sale securities | | (960) | | | (960) |
| Proceeds from sales and maturities of available-for-sale securities | | 1,154 | | | 1,154 |
| Net cash used in investing activities | | (20,651) | (17,345) | 24,542 | (13,454) |
| Cash flows from financing activities: | | | | | |
| Repayment of short-term debt, net | | (15,868) | (78) | | (15,946) |
| Advances received from other subsidiaries | | 6,770 | 17,772 | (24,542) | |
| Payment of debt issuance cost | | (256) | | | (256) |
| Repurchase of Class A common stock | | (73,578) | | | (73,578) |
| Proceeds from stock options exercised | | 3,579 | | | 3,579 |
| Net cash (used in)/provided by financing activities | | (79,353) | 17,694 | (24,542) | (86,201) |
| Effect of exchange rate changes | | (40) | 378 | | 338 |
| Increase in cash and cash equivalents | | 39,480 | 6,784 | | 46,264 |
| Cash and cash equivalents, beginning of period | 1 | 31,576 | 23,397 | | 54,974 |
| Cash and cash equivalents, end of period | $ 1 | $ 71,056 | $ 30,181 | | $ 101,238 |
| Supplemental disclosures: | | | | | |
| Increase in intercompany balances from the purchase of treasury stock by Verisk funded directly by ISO | $ 73,578 | $ 73,578 | $ | $ | $ |
| Increase in intercompany balances from proceeds received by ISO related to issuance of Verisk common stock from options exercised | $ 3,579 | $ 3,579 | $ | $ | $ |

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with our historical financial statements and the related notes included in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 28, 2012. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors.*

We enable risk-bearing businesses to better understand and manage their risks. We provide value to our customers by supplying proprietary data that, combined with our analytic methods, creates embedded decision support solutions. We are the largest aggregator and provider of data pertaining to U.S. property and casualty, or P&C, insurance risks. We offer solutions for detecting fraud in the U.S. P&C insurance, mortgage and healthcare industries and sophisticated methods to predict and quantify loss in diverse contexts ranging from natural catastrophes to supply chain to health insurance.

Our customers use our solutions to make better risk decisions with greater efficiency and discipline. We refer to these products and services as solutions due to the integration among our products and the flexibility that enables our customers to purchase components or the comprehensive package of products. These solutions take various forms, including data, statistical models or tailored analytics, all designed to allow our clients to make more logical decisions. We believe our solutions for analyzing risk positively impact our customers revenues and help them better manage their costs.

We organize our business in two segments: Risk Assessment and Decision Analytics. Our Risk Assessment segment provides statistical, actuarial and underwriting data for the U.S. P&C insurance industry. Our Risk Assessment segment revenues represented approximately 42% and 45% of our revenues for three months ended March 31, 2012 and 2011, respectively. Our Decision Analytics segment revenues represented approximately 58% and 55% of our revenues for three months ended March 31, 2012 and 2011, respectively.

**Executive Summary**

***Key Performance Metrics***

We believe our business s ability to generate recurring revenue and positive cash flow is the key indicator of the successful execution of our business strategy. We use year over year revenue growth and EBITDA margin as metrics to measure our performance. EBITDA and EBITDA margin are non-GAAP financial measures within the meaning of Regulation G under the Securities Exchange Act of 1934 (See footnote 1 within the Condensed Consolidated Results of Operations section of Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations).

*Revenue growth.* We use year over year revenue growth as a key performance metric. We assess revenue growth based on our ability to generate increased revenue through increased sales to existing customers, sales to new customers, sales of new or expanded solutions to existing and new customers and strategic acquisitions of new businesses.

*EBITDA margin.* We use EBITDA margin as a metric to assess segment performance and scalability of our business. We assess EBITDA margin based on our ability to increase revenues while controlling expense growth.

***Revenues***

We earn revenues through subscriptions, long-term agreements and on a transactional basis. Subscriptions for our solutions are generally paid in advance of rendering services either quarterly or in full upon commencement of the subscription period, which is usually for one year and automatically renewed each year. As a result, the timing of our cash flows generally precedes our recognition of revenues and income and our cash flow from operations tends to be higher in the first quarter as we receive subscription payments. Examples of these arrangements include subscriptions that allow our customers to access our standardized coverage language, our claims fraud database or our actuarial services throughout the subscription period. For our subscriptions arrangements, we experience minimal revenue seasonality within the business. Our long-term agreements are generally for periods of three to seven years. We recognize revenue from subscriptions ratably over the term of the subscription and most long-term agreements are recognized ratably over the term of the agreement.

Certain of our solutions are also paid for by our customers on a transactional basis. For example, we have solutions that allow our customers to access fraud detection tools in the context of an individual mortgage application or loan, obtain property-specific rating and underwriting information to price a policy on a commercial building, or compare a P&C insurance, medical or workers compensation claim with information in our databases. For each of three-month periods ended March 31, 2012 and 2011, 29% and 30% of our revenues, respectively, were derived from providing transactional solutions. We earn transactional revenues as our solutions are delivered or services performed. In general, transactions are billed monthly at the end of each month.

Approximately 87% and 85% of the revenues in our Risk Assessment segment for three-month period ended March 31, 2012 and 2011, respectively, were derived from subscriptions and long-term agreements for our solutions. Our customers in this segment include most of the P&C insurance providers in the United States. Approximately 60% and 58% of the revenues in our Decision Analytics segment, for the three months ended March 31, 2012 and 2011, respectively, were derived from subscriptions and long-term agreements for our solutions. In this segment, our customer bases are within the insurance, healthcare, mortgage and financial services, and specialized markets verticals.

***Principal Operating Costs and Expenses***

Personnel expenses are the major component of both our cost of revenues and selling, general and administrative expenses. Personnel expenses include salaries, benefits, incentive compensation, equity compensation costs (described under Equity Compensation Costs below), sales commissions, employment taxes, recruiting costs, and outsourced temporary agency costs, which represented 67% and 66% of our total expenses for the three months ended March 31, 2012 and 2011, respectively.

We allocate personnel expenses between two categories, cost of revenues and selling, general and administrative costs, based on the actual costs associated with each employee. We categorize employees who maintain our solutions as cost of revenues, and all other personnel, including executive managers, sales people, marketing, business development, finance, legal, human resources, and administrative services, as selling, general and administrative expenses. A significant portion of our other operating costs, such as facilities and communications, is also either captured within cost of revenues or selling, general and administrative expense based on the nature of the work being performed.

While we expect to grow our headcount over time to take advantage of our market opportunities, we believe that the economies of scale in our operating model will allow us to grow our personnel expenses at a lower rate than revenues. Historically, our EBITDA margin has improved because we have been able to increase revenues without a proportionate corresponding increase in expenses.

*Cost of Revenues.* Our cost of revenues consists primarily of personnel expenses. Cost of revenues also includes the expenses associated with the acquisition and verification of data, the maintenance of our existing solutions and the development and enhancement of our next-generation solutions. Our cost of revenues excludes depreciation and amortization.

*Selling, General and Administrative Expense.* Our selling, general and administrative expense also consists primarily of personnel costs. A portion of the other operating costs such as facilities, insurance and communications are also allocated to selling, general and administrative costs based on the nature of the work being performed by the employee. Our selling, general and administrative expense excludes depreciation and amortization.

***Description of Acquisitions***

We acquired three businesses since January 1, 2011. As a result of these acquisitions, our consolidated results of operations may not be comparable between periods.

On March 30, 2012, we acquired 100% of the stock of MediConnect Global, Inc., or MediConnect, a service provider of medical record retrieval, digitization, coding, extraction, and analysis. Within our Decision Analytics segment, MediConnect further supports our objective to be the leading provider of data, analytics, and decision-support solutions to the healthcare and property casualty industries. Due to the timing of this acquisition, there was no impact on our income statement for MediConnect for the three months ended March 31, 2012.

On June 17, 2011, we acquired the net assets of Health Risk Partners, LLC, or HRP, a provider of solutions to optimize revenue, ensure compliance and improve quality of care for Medicare Advantage and Medicaid health plans. Within our Decision Analytics segment, this acquisition further advances our position as a major provider of data, analytics, and decision-support solutions to the healthcare industry.

On April 27, 2011, we acquired 100% of the common stock of Bloodhound Technologies, Inc. or Bloodhound, a provider of real-time pre-adjudication medical claims editing. Within our Decision Analytics segment, Bloodhound addresses the need of healthcare payers to control fraud and waste in a real-time claims-processing environment, and these capabilities align with our existing fraud identification tools in the healthcare vertical market.

***Equity Compensation Costs***

We have a leveraged ESOP, funded with intercompany debt that includes 401(k), ESOP and profit sharing components to provide employees with equity participation. We make quarterly cash contributions to the plan equal to the debt service requirements. As the debt is repaid, shares are released to the ESOP to fund 401(k) matching and profit sharing contributions and the remainder is allocated annually to active employees in proportion to their eligible compensation in relation to total participants eligible compensation. We had no ESOP allocation expense for the three-month periods ended March 31, 2012 and 2011. We accrue compensation expense over the reporting period equal to the fair value of the ESOP loan collateral to be released to the ESOP.

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The amount of our equity compensation costs recognized for the three months ended March 31, 2012 and 2011 is as follows:

| | Three Months Ended March 31, 2012 | 2011 |
|---|---|---|
| | (In thousands) | |
| **ESOP costs by contribution type:** | | |
| 401(k) matching contribution expense | $ 2,931 | $ 2,655 |
| Profit sharing contribution expense | | 456 |
| Total ESOP costs | $ 2,931 | $ 3,111 |
| **ESOP costs by segment:** | | |
| Risk Assessment ESOP costs | $ 1,355 | $ 1,748 |
| Decision Analytics ESOP costs | 1,576 | 1,363 |
| Total ESOP costs | $ 2,931 | $ 3,111 |

In addition, the portion of the ESOP allocation expense related to the appreciation of the value of the shares in the ESOP above the value of those shares when the ESOP was first established is not tax deductible.

Under the terms of our approved equity compensation plans, stock options and other equity awards may be granted to employees. Prior to our IPO, we granted to key employees nonqualified stock options covered under the Insurance Services Office, Inc. 1996 Incentive Plan, or the Option Plan. Subsequent to the IPO, equity awards, including nonqualified stock options and restricted stock, granted to key employees are covered under the Verisk Analytics, Inc. 2009 Equity Incentive Plan, or the Incentive Plan. All of our outstanding stock options and restricted stock are covered under the Incentive Plan or the Option Plan. See Note 10 in our condensed consolidated financial statements included in this quarterly report on Form 10-Q.

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**Condensed Consolidated Results of Operations**

| | Three Months Ended March 31, 2012 | 2011 | Percentage Change |
|---|---|---|---|
| | (In thousands, except for share and per share data) | | |
| **Statement of income data:** | | | |
| Revenues : | | | |
| Risk Assessment revenues | $ 144,969 | $ 140,543 | 3.1% |
| Decision Analytics revenues | 201,532 | 172,326 | 16.9% |
| Revenues | 346,501 | 312,869 | 10.7% |
| Expenses: | | | |
| Cost of revenues (exclusive of items shown separately below) | 133,330 | 124,556 | 7.0% |
| Selling, general and administrative | 53,979 | 49,256 | 9.6% |
| Depreciation and amortization of fixed assets | 11,644 | 11,305 | 3.0% |
| Amortization of intangible assets | 8,587 | 8,455 | 1.6% |
| Total expenses | 207,540 | 193,572 | 7.2% |
| Operating income | 138,961 | 119,297 | 16.5% |
| Other income/(expense): | | | |
| Investment income | 105 | 10 | 950.0% |
| Realized gain on securities, net | 330 | 362 | (8.8)% |
| Interest expense | (16,385) | (9,615) | 70.4% |
| Total other expense, net | (15,950) | (9,243) | 72.6% |
| Income before income taxes | 123,011 | 110,054 | 11.8% |
| Provision for income taxes | (48,410) | (44,178) | 9.6% |
| Net income | $ 74,601 | $ 65,876 | 13.2% |
| **Basic net income per share** | $ 0.45 | $ 0.39 | 15.4% |
| **Diluted net income per share** | $ 0.44 | $ 0.37 | 18.9% |
| Weighted average shares outstanding: | | | |
| Basic | 164,836,992 | 169,030,227 | (2.5)% |
| Diluted | 171,350,820 | 176,964,192 | (3.2)% |

**The financial operating data below sets forth the information we believe is useful for investors in evaluating our overall financial performance:**

| | | | |
|---|---|---|---|
| **Other data:** | | | |
| EBITDA (1): | | | |
| Risk Assessment EBITDA | $ 79,935 | $ 74,159 | 7.8% |
| Decision Analytics EBITDA | 79,257 | 64,898 | 22.1% |
| EBITDA | $ 159,192 | $ 139,057 | 14.5% |

**The following is a reconciliation of net income to EBITDA:**

| | | | |
|---|---|---|---|
| Net income | $ 74,601 | $ 65,876 | 13.2% |
| Depreciation and amortization | 20,231 | 19,760 | 2.4% |
| Investment income and realized gain on securities, net | (435) | (372) | 16.9% |
| Interest expense | 16,385 | 9,615 | 70.4% |
| Provision for income taxes | 48,410 | 44,178 | 9.6% |
| EBITDA | $ 159,192 | $ 139,057 | 14.5% |

(1) EBITDA is the financial measure which management uses to evaluate the performance of our segments. EBITDA is defined as net income before investment income and realized gain on securities, net, interest expense, provision for income taxes, and depreciation and amortization of fixed and intangible assets. In addition, this Management s Discussion and Analysis includes references to EBITDA margin, which is computed as EBITDA divided by revenues. See Note 12 of our condensed consolidated financial statements included in this Form 10-Q filing.

Although EBITDA is a non-GAAP financial measure, EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies. EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for an analysis of our results of operations or cash flows from operating activities reported under GAAP. Management uses EBITDA in conjunction with traditional GAAP operating performance measures as part of its overall assessment of company performance. Some of these limitations are:

EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Although depreciation and amortization are noncash charges, the assets being depreciated and amortized often will have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and

Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

**Consolidated Results of Operations**

***Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011***

*Revenues*

Revenues were $346.5 million for the three months ended March 31, 2012 compared to $312.9 million for the three months ended March 31, 2011, an increase of $33.6 million or 10.7%. In 2011, we acquired two companies, HRP and Bloodhound, collectively referred to as recent acquisitions, which we define as acquisitions not owned for a significant portion of both the current period and/or prior period and would therefore impact the comparability of the financial results. Due to the completion of our MediConnect acquisition on March 30, 2012, there are no revenues included within our first quarter results. Recent acquisitions were within our Decision Analytics segment and provided an increase of $9.7 million in revenues for the three months ended March 31, 2012. Excluding recent acquisitions, revenues increased $23.9 million or 7.7%, which included an increase in our Decision Analytics segment of $19.5 million and an increase in our Risk Assessment segment of $4.4 million. Refer to the Results of Operations by Segment within this section for further information regarding our revenues.

*Cost of Revenues*

Cost of revenues was $133.3 million for the three months ended March 31, 2012 compared to $124.6 million for the three months ended March 31, 2011, an increase of $8.7 million or 7.0%. Recent acquisitions accounted for an increase of $4.7 million in cost. Excluding the impact of our recent acquisitions, our cost of revenues increased $4.0 million or 3.2%. The increase was primarily due to increases in salaries and employee benefits cost of $3.4 million. Other increases include information technology expenses of $0.6 million, and other operating cost of $0.4 million. These increases in costs were partially offset by a $0.4 million decrease in travel and travel related costs.

The increase in salaries and employee benefits of $3.4 million includes an increase of $5.4 million in annual salaries and employee benefits, medical costs and long term equity compensation plan costs, and was partially offset by a decrease of $2.0 million in pension costs. The pension cost decreased primarily due to the our pension plan freeze, which eliminated all future compensation and services credits to participants of our pension plan.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses, or SGA, were $54.0 million for the three months ended March 31, 2012 compared to $49.3 million for the three months ended March 31, 2011, an increase of $4.7 million or 9.6%. Excluding costs associated with our recent acquisitions of $2.2 million, SGA increased $2.5 million or 5.1%. The increase was primarily due to a net increase in salaries and employee benefits of $3.1 million, which includes annual salary increases, medical costs, commissions, and equity compensation. This increase in costs was partially offset by decreases in travel and travel related costs of $0.5 million and other expenses of $0.1 million.

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*Depreciation and Amortization of Fixed Assets*

Depreciation and amortization of fixed assets was $11.6 million for the three months ended March 31, 2012 compared to $11.3 million for the three months ended March 31, 2011, an increase of $0.3 million or 3.0%. Depreciation and amortization of fixed assets includes depreciation of furniture and equipment, software, computer hardware, and related equipment. The majority of the increase relates to software and hardware costs to support data capacity expansion and revenue growth.

*Amortization of Intangible Assets*

Amortization of intangible assets was $8.6 million for the three months ended March 31, 2012 compared to $8.5 million for three months ended March 31, 2011, an increase of $0.1 million or 1.6%. The increase was primarily related to amortization of intangible assets associated with recent acquisitions of $1.6 million, partially offset by $1.5 million of amortization of intangible assets associated with prior acquisitions that have been fully amortized.

*Investment Income and Realized Gain on Securities, Net*

Investment income and realized gain on securities, net, was a gain of $0.4 million for each of the three months ended March 31, 2012 and 2011.

*Interest Expense*

Interest expense was $16.4 million for the three months ended March 31, 2012 compared to $9.6 million for the three months ended March 31, 2011, an increase of $6.8 million or 70.4%. This increase is primarily due to an increase in our long-term debt outstanding, which includes the issuance of our 5.800% and 4.875% senior notes in the aggregate principal amount of $450.0 million and $250.0 million, respectively.

*Provision for Income Taxes*

The provision for income taxes was $48.4 million for the three months ended March 31, 2012 compared to $44.2 million for the three months ended March 31, 2011, an increase of $4.2 million or 9.6%. The effective tax rate was 39.4% for the three months ended March 31, 2012 compared to 40.1% for the three months ended March 31, 2011. The effective rate for the three months ended March 31, 2012 was lower than the March 31, 2011 effective tax rate primarily due to the continued execution of tax planning strategies.

*EBITDA Margin*

The EBITDA margin for our consolidated results was 45.9% for the three months ended March 31, 2012 compared to 44.4% for the three months ended March 31, 2011. For the three months ended March 31, 2012, the recent acquisitions mitigated our margin expansion by 0.5%. The increase in margin is primarily attributed to operating leverage as well as cost efficiencies achieved in 2012.

**Results of Operations by Segment**

**Decision Analytics**

*Revenues*

Revenues for our Decision Analytics segment were $201.5 million for the three months ended March 31, 2012 compared to $172.3 million for the three months ended March 31, 2011, an increase of $29.2 million or 16.9%. Recent acquisitions, which are all within the healthcare category, accounted for an increase of $9.7 million in revenues for the three months ended March 31, 2012. Excluding recent acquisitions, our Decision Analytics revenue increased $19.5 million or 11.3%. Our insurance revenue increased $11.0 million primarily due to an increase within our loss quantification solutions as a result of new customers and an increase in our catastrophe modeling services for existing customers, as well an increase in insurance fraud solutions revenue. Excluding the recent acquisitions, our healthcare revenue increased $5.1 million primarily due to an increase in our fraud services as customer contracts are implemented and new sales of risk solutions. Our specialized markets revenue increased $1.8 million as a result of continued penetration of existing customers within our supply chain services and weather and climate risk solutions. Our mortgage and financial services revenue increased $1.6 million, primarily due to the inclusion of property appraisal tools facing the mortgage market revenue of $2.9 million, which was previously reported as part of property-specific rating and underwriting information category within our Risk Assessment segment in 2011. Excluding the property appraisal revenue, our mortgage and financial services revenue decreased $1.3 million from lower volumes within our underwriting and forensic solutions due to the continued challenges within the mortgage market.

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Our revenue by category for the periods presented is set forth below:

| | Three Months Ended March 31, 2012 | 2011 | Percentage Change |
|---|---|---|---|
| | (In thousands) | | |
| Insurance | $ 116,336 | $ 105,300 | 10.5% |
| Mortgage and financial services | 34,275 | 32,696 | 4.8% |
| Healthcare | 30,448 | 15,617 | 95.0% |
| Specialized markets | 20,473 | 18,713 | 9.4% |
| **Total Decision Analytics** | $ 201,532 | $ 172,326 | 16.9% |

*Cost of Revenues*

Cost of revenues for our Decision Analytics segment was $87.9 million for the three months ended March 31, 2012 compared to $77.3 million for the three months ended March 31, 2011, an increase of $10.6 million or 13.7%. Excluding the impact of recent acquisitions of $4.7 million, our cost of revenues increased by $5.9 million or 7.6%. This increase is primarily due to a net increase in salary and employee benefits of $4.2 million. Other increases include information technology costs of $0.8 million, other general expenses of $0.8 million and travel and travel related costs of $0.1 million.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses for our Decision Analytics segment were $34.4 million for the three months ended March 31, 2012 compared to $30.1 million for the three months ended March 31, 2011, an increase of $4.3 million or 14.1%. Excluding the impact of recent acquisitions of $2.2 million, SGA increased $2.1 million or 6.8%. The increase was primarily due to an increase in salaries and employee benefits of $2.3 million, which includes annual salary increases, medical costs, commissions, and equity compensation and an increase in other expenses of $0.1 million. These increases in costs were partially offset by a decrease in travel and travel related costs of $0.3 million.

*EBITDA Margin*

The EBITDA margin for our Decision Analytics segment was 39.3% for the three months ended March 31, 2012 compared to 37.7% for the three months ended March 31, 2011.

**Risk Assessment**

*Revenues*

Revenues for our Risk Assessment segment were $145.0 million for the three months ended March 31, 2012 as compared to $140.6 million for the three months ended March 31, 2011, an increase of $4.4 million or 3.1%. The overall increase within this segment primarily resulted from an increase in prices derived from continued enhancements to the content of our industry-standard insurance programs   solutions as well as selling expanded solutions to existing customers. As described with the Decision Analytics segment revenue, beginning January 1, 2012, we reallocated certain property tools revenue of $2.9 million from property-specific rating and underwriting information category to the mortgage and financial services category.

Our revenue by category for the periods presented is set forth below:

| | Three Months Ended March 31, 2012 | 2011 | Percentage Change |
|---|---|---|---|
| | (In thousands) | | |
| Industry-standard insurance programs | $ 99,134 | $ 92,857 | 6.8% |
| Property-specific rating and underwriting information | 32,557 | 34,497 | (5.6)% |

| | | | |
|---|---|---|---|
| Statistical agency and data services | 7,724 | 7,742 | (0.2)% |
| Actuarial services | 5,554 | 5,447 | 2.0% |
| **Total Risk Assessment** | $ 144,969 | $ 140,543 | 3.1% |

*Cost of Revenues*

Cost of revenues for our Risk Assessment segment was $45.4 million for the three months ended March 31, 2012 compared to $47.3 million for the three months ended March 31, 2011, a decrease of $1.9 million or 3.9%. The decrease was primarily due to a decrease in salaries and employee benefits costs of $0.8 million, primarily related to lower pension cost of $1.7 million. Other decreases were related to travel and travel related costs of $0.5 million, other general expenses of $0.4 million, and information technology costs of $0.2 million.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses for our Risk Assessment segment were $19.6 million for the three months ended March 31, 2012 compared to $19.2 million for the three months ended March 31, 2011, an increase of $0.4 million or 2.5%. The increase was primarily due to a net increase in salaries and employee benefits of $0.8 million. This increase in costs was partially offset by decreases in travel and travel related costs of $0.2 million and other expenses of $0.2 million.

*EBITDA Margin*

The EBITDA margin for our Risk Assessment segment was 55.1% for the three months ended March 31, 2012 compared to 52.8% for the three months ended March 31, 2011. The decrease in pension expense increased our margin expansion by 1.4%. The increase in margin is primarily attributed to operating leverage in the segment as well as cost efficiencies achieved in 2012.

**Liquidity and Capital Resources**

As of March 31, 2012 and December 31, 2011, we had cash and cash equivalents and available-for-sale securities of $119.9 million and $196.7 million, respectively. Subscriptions for our solutions are billed and generally paid in advance of rendering services either quarterly or in full upon commencement of the subscription period, which is usually for one year. Subscriptions are automatically renewed at the beginning of each calendar year. We have historically generated significant cash flows from operations. As a result of this factor, as well as the availability of funds under our syndicated revolving credit facility, we believe we will have sufficient cash to meet our working capital and capital expenditure needs, and to fuel our future growth plans.

We have historically managed the business with a working capital deficit due to the fact that, as described above, we offer our solutions and services primarily through annual subscriptions or long-term contracts, which are generally prepaid quarterly or annually in advance of the services being rendered. When cash is received for prepayment of invoices, we record an asset (cash and cash equivalents) on our balance sheet with the offset recorded as a current liability (fees received in advance). This current liability is deferred revenue that does not require a direct cash outflow since our customers have prepaid and are obligated to purchase the services. In most businesses, growth in revenue typically leads to an increase in the accounts receivable balance causing a use of cash as a company grows. Unlike these businesses, our cash position is favorably affected by revenue growth, which results in a source of cash due to our customers prepaying for most of our services.

Our capital expenditures, which include noncash purchases of fixed assets and capital lease obligations, as a percentage of revenues for the three months ended March 31, 2012 and 2011, were 4.6% and 6.0%, respectively. The expected capital expenditures for the year ending December 31, 2012 are consistent with the amounts previously disclosed as of December 31, 2011, which we expect primarily include expenditures on our technology infrastructure and our continuing investments in developing and enhancing our solutions. Expenditures related to developing and enhancing our solutions are predominately related to internal use software and are capitalized in accordance with ASC 350-40, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use.* We also capitalize amounts in accordance with ASC 985-20, *Software to be Sold, Leased or Otherwise Marketed*.

We have historically used a portion of our cash for repurchases of our common stock from our stockholders. For the three months ended March 31, 2012 and 2011, we repurchased $38.9 million and $73.4 million of our common stock, respectively.

We provide pension and postretirement benefits to certain qualifying active employees and retirees. On February 29, 2012, we instituted a hard freeze, which eliminated all future compensation and service credits, to all participants in the pension plans. In April 2012, we completed a voluntary prefunding to our qualified pension plan of $72.0 million, which resulted in a contribution of $78.8 million for the year, of which $28.2 million was the minimum contribution requirement for 2012. We do not anticipate further contributions to be made to our qualified pension plan as the minimum contribution requirement for 2012 has been fulfilled. Under the postretirement plan, we provide certain healthcare and life insurance benefits to qualifying participants; however, participants are required to pay a stated percentage of the premium coverage. In March 2012, we established a voluntary employees beneficiary association plan, or VEBA plan, to fund the postretirement plan and contributed $3.5 million for the three months ended March 31, 2012. We expect the contribution to the postretirement plan for the remaining quarters for the year ending December 31, 2012 to be consistent with this quarter. See Note 11 to our condensed consolidated financial statements included in this quarterly report on Form 10-Q.

***Financing and Financing Capacity***

We had total debt, excluding capital lease and other obligations, of $1,221.8 million and $1,096.7 million at March 31, 2012 and December 31, 2011, respectively. The debt at March 31, 2012 was issued under our syndicated revolving credit facility ( credit facility ), long-term private placement loan facilities and senior notes issued in 2011 to finance our stock repurchases and acquisitions.

As of March 31, 2012, our $725.0 million syndicated revolving credit facility due October 2016, is a committed facility and all of our long-term private placement loan facilities are uncommitted facilities. We have financed and expect to finance our short-term working capital needs, stock repurchases and acquisitions through cash from operations and borrowings from a combination of our credit facility and long-term private placement facilities. As of March 31, 2012, we had $125.0 million outstanding under the credit facility. We did not make any payments during the three months ended March 31, 2012. On April 2, 2012, we drew down $75.0 million on the syndicated revolving credit facility to primarily complete a voluntary prefunding to the pension plan. See Note 11 in the condensed consolidated financial statements included in this quarterly report on Form 10-Q for further discussion. As of April 2, 2012, our credit facility had $525.0 million of borrowing capacity available.

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The $725.0 million credit facility contains certain customary financial and other covenants that, among other things, impose certain restrictions on indebtedness, liens, investments, and capital expenditures. These covenants also place restrictions on mergers, asset sales, sale/leaseback transactions, payments between us and our subsidiaries, and certain transactions with affiliates. The financial covenants require that, at the end of any fiscal quarter, we have a consolidated interest coverage ratio of at least 3.0 to 1.0 and that we maintain a consolidated funded debt leverage ratio below 3.25 to 1.0. We were in compliance with all debt covenants under the credit facility as of March 31, 2012.

We also have long-term private placement loan facilities under uncommitted master shelf agreements with New York Life, and Prudential Capital Group, or Prudential, with availabilities at March 31, 2012 in the amounts of $30.0 million and $190.0 million respectively. We can borrow under the New York Life Master Shelf Agreement until March 16, 2013 and the Prudential Master Shelf Agreement until August 30, 2013.

The notes outstanding under these long-term private placement loan facilities mature over the next four years. Individual borrowings are made at a fixed rate of interest determined at the time of the borrowing and interest is payable quarterly. The weighted average rate of interest with respect to our outstanding borrowings under these facilities was 6.3% for the three months ended March 31, 2012. The uncommitted master shelf agreements contain certain covenants that limit our ability to create liens, enter into sale/leaseback transactions and consolidate, merge or sell assets to another company. Our shelf agreements also contains financial covenants that require that, at the end of any fiscal quarter, we have a consolidated interest coverage ratio of at least 3.0 to 1.0 and a leverage ratio below 3.0 to 1.0 at the end of any fiscal quarter. We were in compliance with all debt covenants under our master shelf agreements as March 31, 2012.

As of March 31, 2012, we had senior notes with aggregate principal amount of $700.0 million. The senior notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured and unsubordinated basis by ISO and certain subsidiaries that guarantee our credit facility, or any amendment, refinancing or replacement thereof. The indenture governing the senior notes restricts our ability and our subsidiaries ability to, among other things, create certain liens, enter into sale/leaseback transactions and consolidate with, sell, lease, convey or otherwise transfer all or substantially all of our assets, or merge with or into, any other person or entity.

***Cash Flow***

The following table summarizes our cash flow data for the three months ended March 31, 2012 and 2011:

| | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | (In thousands) | | | |
| Net cash provided by operating activities | $ | 189,613 | $ | 145,581 |
| Net cash used in investing activities | $ | (367,112) | $ | (13,454) |
| Net cash provided by/(used in) financing activities | $ | 100,673 | $ | (86,201) |

*Operating Activities*

Net cash provided by operating activities increased to $189.6 million for the three months ended March 31, 2012 compared to $145.6 million for the three months ended March 31, 2011. The increase in operating activities was primarily due to an increase in cash receipts from customers and a decrease in interest payments, partially offset by an increase in operating expense payments during the three months ended March 31, 2012.

*Investing Activities*

Net cash used in investing activities was $367.1 million for the three months ended March 31, 2012 and $13.5 million for the three months ended March 31, 2011. The increase in cash used in investing activities was primarily due to our MediConnect acquisition, including escrow funding, of $347.8 million.

*Financing Activities*

Net cash provided by financing activities was $100.7 million for the three months ended March 31, 2012 as compared to net cash used in financing activities of $86.2 million for the three months ended March 31, 2011. Net cash provided by financing activities for the three months ended March 31, 2012 was primarily related to proceeds from issuance of short-term debt of $125.0 million and proceeds from stock option exercises of $14.6 million, partially offset by share repurchases of $36.8 million. Net cash used in financing activities for the three months ended

March 31, 2011 included repurchases of Class A common stock of $73.6 million and a decrease in total debt of $15.9 million.

***Off-Balance Sheet Arrangements***

We have no off-balance sheet arrangements.

***Contractual Obligations***

There have been no material changes to our contractual obligations outside the ordinary course of our business from those reported in our annual report on Form 10-K and filed with the Securities and Exchange Commission on February 28, 2012 except as noted below.

Due to our voluntary prefunding and hard freeze of the pension plans (see Note 11 in our condensed consolidated financial statements included in this quarterly report on Form 10-Q), we expect our contractual obligations payments for the *Pension and postretirement plans* to decrease to the following amounts: *1-3 years* $11.2 million, *3-5 years* $7.3 million, and *More than 5 years* $15.4 million.

**Critical Accounting Policies and Estimates**

Our management s discussion and analysis of financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements require management to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, goodwill and intangible assets, pension and other post retirement benefits, stock-based compensation, and income taxes. Actual results may differ from these assumptions or conditions. Some of the judgments that management makes in applying its accounting estimates in these areas are discussed under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 28, 2012. Since the date of our annual report on Form 10-K, there have been no material changes to our critical accounting policies and estimates.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risks at March 31, 2012 have not materially changed from those discussed under Item 7A in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 28, 2012.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act )) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act 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 our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report on Form 10-Q. Based upon the foregoing assessments, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2012, our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

During the three month period ended March 31, 2012, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

We are party to legal proceedings with respect to a variety of matters in the ordinary course of business. See Part I Item I. Note 14 to our condensed consolidated financial statements for the three months ended March 31, 2012 for a description of our significant current legal proceedings, which is incorporated by reference herein.

### Item 1A. Risk Factors

There has been no material change in the information provided under the heading Risk Factors in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission on February 28, 2012.

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

***Recent Sales of Unregistered Securities***

There were no unregistered sales of equity securities by the Company during the period covered by this report.

***Issuer Purchases of Equity Securities***

On April 29, 2010, our board of directors authorized a $150.0 million share repurchase program, or the Repurchase Program, of our common stock. On October 19, 2010, March 11, 2011, and July 8, 2011, our board of directors authorized additional capacity of $150.0 million each, and on January 11, 2012, our board of directors authorized additional capacity of $300.0 million bringing the Repurchase Program to a total of $900.0 million. Under the Repurchase Program, we may repurchase stock in the open market or as otherwise determined by us. These authorizations have no expiration dates, although they may be suspended or terminated at any time. Our shares repurchased for the quarter ended March 31, 2012 are set forth below:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) |
|---|---|---|---|---|
| January 1, 2012 through January 31, 2012 | 438,987 | $ 39.82 | 438,987 | $ 289,297 |
| February 1, 2012 through February 29, 2012 | 96,700 | $ 39.96 | 96,700 | $ 285,433 |
| March 1, 2012 through March 31, 2012 | 382,300 | $ 45.98 | 382,300 | $ 267,854 |
| | 917,987 | | 917,987 | |

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

See Exhibit Index.

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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.

Verisk Analytics, Inc.
(Registrant)

Date: May 1, 2012

By: /s/ Mark V. Anquillare
Mark V. Anquillare
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

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## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of the Chief Executive Officer of Verisk Analytics, Inc. pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.* |
| 31.2 | Certification of the Chief Financial Officer of Verisk Analytics, Inc. pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.* |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer of Verisk Analytics, Inc, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |

* Filed herewith.