Verisk Analytics, Inc.
Form 10-Q
May 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from __________ to __________

Commission File Number: 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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of April 29, 2011 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	152,557,291
Class B (Series 2) common stock $.001 par value	14,771,340

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EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

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Item 1. Financial Statements

VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 31, 2011 and December 31, 2010

	2011 unaudited	2010
	(In thousands, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 101,238	$ 54,974
Available-for-sale securities	5,603	5,653
Accounts receivable, net of allowance for doubtful accounts of $3,435 and $4,028 (including amounts from related parties of $612 and $515, respectively) (1)	163,888	126,564
Prepaid expenses	25,490	17,791
Deferred income taxes, net	3,681	3,681
Federal and foreign income taxes receivable		15,783
State and local income taxes receivable	4,093	8,923
Other current assets	7,705	7,066
Total current assets	311,698	240,435
Noncurrent assets:		
Fixed assets, net	100,774	93,409
Intangible assets, net	191,774	200,229
Goodwill	632,668	632,668
Deferred income taxes, net	21,548	21,879
State income taxes receivable	1,773	1,773
Other assets	26,196	26,697
Total assets	$ 1,286,431	$ 1,217,090
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 88,458	$ 111,995
Acquisition related liabilities	3,500	3,500
Short-term debt and current portion of long-term debt	129,997	437,717
Pension and postretirement benefits, current	4,663	4,663
Fees received in advance (including amounts from related parties of $1,425 and $1,231, respectively) (1)	247,064	163,007
Federal and foreign income taxes payable	18,788	
Total current liabilities	492,470	720,882
Noncurrent liabilities:		
Long-term debt	700,520	401,826

Pension benefits		89,908		95,528
Postretirement benefits		23,019		23,083
Other liabilities		89,605		90,213
Total liabilities		1,395,522		1,331,532
Commitments and contingencies				
Stockholders equity/(deficit):				
Verisk Class A common stock, $.001 par value; 1,200,000,000 shares authorized; 150,421,644 and 150,179,126 shares issued and 141,066,860 and 143,067,924 outstanding as of March 31, 2011 and December 31, 2010, respectively		40		39
Verisk Class B (Series 1) common stock, $.001 par value; 400,000,000 shares authorized; 198,327,962 shares issued and 12,225,480 outstanding as of March 31, 2011 and December 31, 2010		47		47
Verisk Class B (Series 2) common stock, $.001 par value; 400,000,000 shares authorized; 193,665,008 shares issued and 14,771,340 outstanding as of March 31, 2011 and December 31, 2010		49		49
Unearned KSOP contributions		(917)		(988)
Additional paid-in capital		766,528		754,708
Treasury stock, at cost, 374,350,934 and 372,107,352 shares as of March 31, 2011 and December 31, 2010, respectively		(1,179,704)		(1,106,321)
Retained earnings		359,703		293,827
Accumulated other comprehensive loss		(54,837)		(55,803)
Total stockholders deficit		(109,091)		(114,442)
Total liabilities and stockholders deficit	$	1,286,431	$	1,217,090

(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 ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
For The Three-Month Periods Ended March 31, 2011 and 2010

		2011		2010
	(In thousands, except for share and per share data)			
Revenues (including amounts from related parties of $4,396 and $15,133, respectively) (1)	$	312,869	$	276,154
Expenses:				
Cost of revenues (exclusive of items shown separately below)		124,556		114,993
Selling, general and administrative		49,256		37,514
Depreciation and amortization of fixed assets		11,305		9,929
Amortization of intangible assets		8,455		7,304
Total expenses		193,572		169,740
Operating income		119,297		106,414
Other income/(expense):				
Investment income		10		32
Realized gains on securities, net		362		32
Interest expense		(9,615)		(8,466)
Total other expense, net		(9,243)		(8,402)
Income before income taxes		110,054		98,012
Provision for income taxes		(44,178)		(42,637)
Net income	$	65,876	$	55,375
Basic net income per share of Class A and Class B:	$	0.39	$	0.31
Diluted net income per share of Class A and Class B:	$	0.37	$	0.29
Weighted average shares outstanding:				
Basic		169,030,227		180,053,550
Diluted		176,964,192		189,454,756

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

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

VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT
(UNAUDITED)
For The Year Ended December 31, 2010 and The Three Months Ended March 31, 2011

	Common Stock Issued									
	Verisk Class A	Verisk Class B (Series 1)	Verisk Class B (Series 2)	Par Value	Unearned KSOP Contributions	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockhold (Deficit) Equity
	(In thousands, except for share data)									
lance, uary 1, 2010	125,815,600	205,637,925	205,637,925	$ 130	$ (1,305)	$ 652,573	$ (683,994)	$ 51,275	$ (53,628)	$ (34,94
mprehensive ome:										
t income								242,552		242,55
her mprehensive s									(2,175)	(2,17
mprehensive ome										240,37
nversion of ass B-1 mmon stock on follow-on blic offering ote 1)	7,309,963	(7,309,963)								
nversion of ass B-2 mmon stock on follow-on blic offering ote 1)	11,972,917		(11,972,917)							
easury stock quired ass A 111,202 ares)							(212,512)			(212,51
easury stock quired ass B-1 583,532 ares)							(199,936)			(199,93
easury stock quired ass B-2 74,718							(9,879)			(9,87

ares)										
OP shares ned					317	11,256				11,57
ock options ercised cluding tax nefit of 9,015)	5,579,135			5		84,492				84,49
t share tlement of es upon ercise of ck options	(503,043)					(15,051)				(15,05
ock based mpensation						21,298				21,29
her stock uances	4,554					140				14
lance, cember 31, 10	150,179,126	198,327,962	193,665,008	$ 135	$ (988)	$ 754,708	$ (1,106,321)	$ 293,827	$ (55,803)	$ (114,44
mprehensive ome:										
t income								65,876		65,87
her mprehensive ome									966	96
mprehensive ome										66,84
easury stock quired ass A 243,582 ares)							(73,383)			(73,38
OP shares ned					71	3,040				3,11
ock options ercised cluding tax nefit of 383)	242,518			1		4,962				4,96
ock-based mpensation						3,818				3,81
lance, arch 31, 2011	150,421,644	198,327,962	193,665,008	$ 136	$ (917)	$ 766,528	$ (1,179,704)	$ 359,703	$ (54,837)	$ (109,09

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, 2011 and 2010

	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 65,876	$ 55,375
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	11,305	9,929
Amortization of intangible assets	8,455	7,304
Amortization of debt issuance costs	309	395
Allowance for doubtful accounts	151	105
KSOP compensation expense	3,111	2,850
Stock-based compensation	3,818	3,886
Non-cash charges associated with performance based appreciation awards	546	566
Realized gains on securities, net	(362)	(32)
Deferred income taxes	(158)	973
Other operating	15	15
Loss on disposal of assets	96	11
Excess tax benefits from exercised stock options		(147)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(37,475)	(42,699)
Prepaid expenses and other assets	(7,890)	(4,591)
Federal and foreign income taxes	35,954	32,937
State and local income taxes	4,830	6,405
Accounts payable and accrued liabilities	(22,100)	(25,415)
Fees received in advance	84,057	88,273
Other liabilities	(4,957)	1,049
Net cash provided by operating activities	145,581	137,189
Cash flows from investing activities:		
Acquisitions, net of cash acquired of $1,556 in 2010		(6,227)
Proceeds from release of acquisition related escrows		213
Escrow funding associated with acquisitions		(1,500)
Purchases of available-for-sale securities	(960)	(252)
Proceeds from sales and maturities of available-for-sale securities	1,154	335
Purchases of fixed assets	(13,648)	(7,498)
Net cash used in investing activities	(13,454)	(14,929)
Cash flows from financing activities:		
Repurchase of Verisk Class A common stock	(73,578)	
Repayment of short-term debt, net	(15,946)	(62,945)
Payment of debt issuance cost	(256)	
Excess tax benefits from exercised stock options		147
Proceeds from stock options exercised	3,579	

Net cash used in financing activities		(86,201)		(62,798)
Effect of exchange rate changes		338		3
Increase in cash and cash equivalents		46,264		59,465
Cash and cash equivalents, beginning of period		54,974		71,527
Cash and cash equivalents, end of period	$	101,238	$	130,992
Supplemental disclosures:				
Taxes paid	$	3,351	$	616
Interest paid	$	9,479	$	8,228
Non-cash investing and financing activities:				
Repurchase of Verisk Class A common stock included in accounts payable and accrued liabilities	$	2,070	$	
Deferred tax liability established on date of acquisition	$		$	(732)
Capital lease obligations	$	6,920	$	575
Capital expenditures included in accounts payable and accrued liabilities	$	310	$	815
Increase in goodwill due to acquisition related escrow distributions	$		$	489

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 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 on May 23, 2008 to serve as the parent holding company of Insurance Services Office, Inc. (ISO) upon completion of the initial public offering (IPO). 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. On October 6, 2009, ISO effected a corporate reorganization whereby the Class A and Class B common stock of ISO were exchanged by the current stockholders for the common stock of Verisk on a one-for-one basis. Verisk immediately thereafter effected a fifty-for-one stock split of its Class A and Class B common stock and equally sub-divided the Class B common stock into two new series of stock, Verisk Class B (Series 1) (Class B-1) and Verisk Class B (Series 2) (Class B-2).

On October 9, 2009, the Company completed its IPO. Upon completion of the IPO, the selling stockholders sold 97,995,750 shares of Class A common stock of Verisk, which included the 12,745,750 over-allotment option, at the IPO price of $22.00 per share. The Company did not receive any proceeds from the sales of common stock in the offering. Verisk trades under the ticker symbol VRSK on the NASDAQ Global Select Market.

On October 1, 2010, the Company completed a follow-on public offering. Upon completion of this offering, the selling stockholders sold 2,602,212 and 19,282,880 shares of Class A and Class B common stock of Verisk, respectively, which included the underwriters 2,854,577 over-allotment option, at the public offering price of $27.25 per share. Class B common stock sold into this offering was automatically converted into Class A common stock. The Company did not receive any proceeds from the sale of common stock in the offering. Concurrently with the closing of this offering, the Company also repurchased 7,300,000 shares of Class B common stock at $26.3644 per share, which represents the net proceeds per share the selling stockholders received in the public offering. The Company funded a portion of this repurchase with proceeds from borrowings of $160,000 under its syndicated revolving credit facility. Upon consummation of the offering and the repurchase, the Company s Class B-1 and Class B-2 common stock outstanding was 12,554,605 and 15,100,465 shares, respectively. The Class B-1 shares converted to Class A common stock on April 6, 2011 and the Class B-2 shares will automatically convert to Class A common Stock on October 6, 2011.

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.

The condensed consolidated financial statements as of March 31, 2011 and for the three-month periods ended March 31, 2011 and 2010, 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, 2011 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, 2011 have been prepared on the same basis as and should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2010. 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.

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Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU No. 2010-28). ASU No. 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU No. 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The adoption of ASU No. 2010-28 did not have any impact on the Company s consolidated financial statements, and the Company will incorporate the provisions of this guidance as part of their Step 1 testing for goodwill impairment as of June 30, 2011.

In April 2010, the FASB ASU No. 2010-17, *Revenue Recognition Milestone Method* (ASU No. 2010-17). ASU No. 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU No. 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Based on the Company s current agreements, ASU No. 2010-17 did not have a material impact on the Company s consolidated financial statements as the Company does not typically perform research or development transactions.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures* (ASU No. 2010-06). ASU No. 2010-06 provides guidance on improving disclosures on fair value measurements, such as the transfers between Level 1, Level 2 and Level 3 inputs and the disaggregated activity in the rollforward for Level 3 fair value measurements. ASU No. 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about the disaggregated activity in the rollforward for Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal periods. The adoption of ASU No. 2010-06 had no impact on the Company s consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU No. 2009-13). ASU No. 2009-13 establishes the accounting and reporting guidance for arrangements under which the vendor will perform multiple revenue-generating activities. Specifically, ASU No. 2009-13 addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. ASU No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company has elected not to early adopt. The adoption of ASU No. 2009-13 did not have a material impact on the Company s consolidated financial statements as our Company s multiple deliverables arrangements are comprised primarily of software licenses and services, rather than hardware. Currently, a majority of our deliverables do not have stand alone value, which would preclude the separation and allocation of the arrangement. Therefore, the Company will continue to recognize revenue over the duration of the license term.

3. Investments:

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

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2011				
Registered investment companies	$ 4,566	$ 1,030	$	$ 5,596
Equity securities	14		(7)	7
Total available-for-sale securities	$ 4,580	$ 1,030	$ (7)	$ 5,603

December 31, 2010								
Registered investment companies	$	4,398	$	1,248	$		$	5,646
Equity securities		14				(7)		7
Total available-for-sale securities	$	4,412	$	1,248	$	(7)	$	5,653

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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 ASC 323-10-25, *The Equity Method of Accounting for Investments in Common Stock*. At March 31, 2011 and December 31, 2010, the carrying value of such securities was $3,443 and $3,642 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 a market participant would require.

The following tables provide information for such assets and liabilities as of March 31, 2011 and December 31, 2010. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, acquisition 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 fair value of the Company s long-term debt was estimated at $872,157 and $584,361 as of March 31, 2011 and December 31, 2010, respectively, and is based on 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, 2011				
Cash equivalents money-market funds	$ 1,666	$	$ 1,666	$
Registered investment companies (1)	$ 5,596	$ 5,596	$	$
Equity securities (1)	$ 7	$ 7	$	$
Contingent consideration under ASC 805 (2)	$ (3,351)	$	$	$ (3,351)
December 31, 2010				
Cash equivalents money-market funds	$ 2,273	$	$ 2,273	$
Registered investment companies (1)	$ 5,646	$ 5,646	$	$

Equity securities (1)	$	7	$	7	$		$	
Contingent consideration under ASC 805 (2)	$	(3,337)	$		$		$	(3,337)

(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.

(2) Under ASC 805, contingent consideration is recognized at fair value at the end of each reporting period for acquisitions after January 1, 2009. The Company records the initial recognition of the fair value of contingent consideration in other liabilities on the condensed consolidated balance sheet. Subsequent changes in the fair value of contingent consideration are recorded in the statement of operations.

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The table below includes a rollforward of the Company s contingent consideration liability under ASC 805 for the three-month periods ended March 31, 2011 and 2010:

	For the Three Months Ended	
	March 31, 2011	March 31, 2010
Beginning balance	$ 3,337	$ 3,344
Acquisitions (1)		491
Accretion on acquisition related liabilities	14	5
Ending balance	$ 3,351	$ 3,840

(1) Under ASC 805, contingent consideration is recognized at fair value at the end of each reporting period for acquisitions after January 1, 2009. The Company records the initial recognition of the fair value of contingent consideration in acquisition related liabilities on the consolidated balance sheet. Subsequent changes in the fair value of contingent consideration is recorded in the statement of operations.

5. Goodwill and Intangible Assets:

Goodwill as allocated to the Company s operating segments, Risk Assessment and Decision Analytics, was $27,908 and $604,760, respectively, as of March 31, 2011 and December 31, 2010. There had been no changes in goodwill from December 31, 2010 through March 31, 2011. These balances are net of accumulated impairment charges of $3,244 that occurred prior to the periods included within the condensed consolidated financial statements.

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. The Company completed the required annual impairment test as of June 30, 2010, which resulted in no impairment of goodwill. Based on the results of the impairment assessment as of June 30, 2010, the Company confirmed that the fair value of its reporting units exceeded their respective carrying value and that there were no reporting units that were at risk for impairment. This 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. There were no goodwill impairment indicators after the date of the last annual impairment test.

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

	Weighted Average Useful Life	Cost	Accumulated Amortization	Net
March 31, 2011				
Technology-based	7 years	$ 210,212	$ (141,523)	$ 68,689
Marketing-related	5 years	40,882	(29,837)	11,045
Contract-based	6 years	6,555	(6,336)	219
Customer-related	13 years	145,567	(33,746)	111,821
Total intangible assets		$ 403,216	$ (211,442)	$ 191,774

	Weighted Average Useful Life	Cost	Accumulated Amortization	Net
December 31, 2010				
Technology-based	7 years	$ 210,212	$ (136,616)	$ 73,596
Marketing-related	5 years	40,882	(28,870)	12,012
Contract-based	6 years	6,555	(6,287)	268
Customer-related	13 years	145,567	(31,214)	114,353
Total intangible assets		$ 403,216	$ (202,987)	$ 200,229

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Consolidated amortization expense related to intangible assets for the three months ended March 31, 2011 and 2010 was $8,455 and $7,304, respectively. Estimated amortization expense in future periods through 2016 and thereafter for intangible assets subject to amortization is as follows:

Year	Amount
2011	$ 22,439
2012	27,551
2013	22,038
2014	14,912
2015	14,724
2016-Thereafter	90,110
	$ 191,774

6. Acquisitions:

2010 Acquisitions

On December 16, 2010, the Company acquired 100% of the stock of 3E Company (3E), a global source for a comprehensive suite of environmental health and safety compliance solutions for a net cash purchase price of approximately $99,603 and funded $7,730 of indemnity escrows. Within the Company s Decision Analytics segment, 3E overlaps the customer sets served by the other supply chain risk management solutions and helps the Company s customers across a variety of vertical markets address their environmental health and safety issues.

On December 14, 2010, the Company acquired 100% of the stock of Crowe Paradis Services Corporation (CP), a provider of claims analysis and compliance solutions to the P&C insurance industry for a net cash purchase price of approximately $83,589 and funded $6,750 of indemnity escrows. Within the Company s Decision Analytics segment, CP offers solutions for complying with the Medicare Secondary Payer Act, provides services to P&C insurance companies, third-party administrators and self-insured companies, which the Company believes further enhances the solution it currently offers.

On February 26, 2010, the Company acquired 100% of the stock of Strategic Analytics (SA), a provider of credit risk and capital management solutions to consumer and mortgage lenders, for a net cash purchase price of approximately $6,386 and the Company funded $1,500 of indemnity escrows. Within the Decision Analytics segment, the Company believes SA solutions and application set will allow customers to take advantage of state-of-the-art loss forecasting, stress testing, and economic capital requirement tools to better understand and forecast the risk associated within their credit portfolios.

Acquisition Contingent Payments

Based on the results of operations of Atmospheric and Environmental Research, Inc. (AER), which was acquired in 2008, the Company recorded an increase of $3,500 to acquisition related liabilities and goodwill during the year ended December 31, 2010. AER was acquired in 2008 and therefore, accounted for under the transition provisions of FASB No. 141 (Revised), *Business Combinations* (FAS No. 141(R)). As such, any adjustments to contingent consideration are recorded to goodwill until the final resolution has occurred.

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, 2011 and December 31, 2010, the current portion of the escrows amounted to $6,168 and $6,167, respectively, and has been included in Other current assets in the accompanying condensed consolidated balance sheets. At March 31, 2011 and December 31, 2010, the noncurrent portion of the escrow amounted to $15,958 and $15,953, respectively.

7. Income Taxes:

The Company s effective tax rate for the three months ended March 31, 2011 was 40.1% compared to the effective tax rate for the three months ended March 31, 2010 of 43.5%. The effective rate for the three months ended March 31, 2011 was lower primarily due to a change in deferred tax assets of $2,362 resulting from reduced tax benefits of Medicare subsidies associated with legislative changes in the period ending March 31, 2010. Without this charge, the effective rate for the prior period would have been 41.1%. The March 31, 2011 effective tax rate is also lower than the March 31, 2010 effective tax rate due to favorable state audit settlements, the continued execution of tax planning strategies and the benefits associated with enacted research and development legislation. 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.

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As a result of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, the tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide prescription drug benefits that are at least actuarially equivalent to the corresponding benefits provided under Medicare Part D was effectively changed. The legislative change reduces the future tax benefits of the coverage provided by the Company to participants in the postretirement plan. The Company is required to account for this change in the period for which the law is enacted. As a result, the Company recorded a non-cash tax charge of $2,362 for the three months ended March 31, 2010.

8. Debt:

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

	Issuance Date	Maturity Date	March 31, 2011	December 31, 2010
Short-term debt and current portion of long-term debt:				
Syndicated revolving credit facility	Various	Various	$	$ 310,000
Prudential senior notes:				
4.60% Series E senior notes	6/14/2005	6/13/2011	50,000	50,000
6.00% Series F senior notes	8/8/2006	8/8/2011	25,000	25,000
Principal senior notes:				
6.03% Series A senior notes	8/8/2006	8/8/2011	50,000	50,000
Capital lease obligations and other	Various	Various	4,997	2,717
Short-term debt and current portion of long-term debt			$ 129,997	$ 437,717
Long-term debt:				
Syndicated revolving credit facility	Various	Various	$ 295,000	$
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
Capital lease obligations and other	Various	Various	5,520	1,826
Long-term debt			$ 700,520	$ 401,826
Total debt			$ 830,517	$ 839,543

On March 16, 2011, The Northern Trust Company joined the syndicated revolving credit facility to increase the capacity by $25,000, for a $600,000 total commitment. In connection with the senior notes issuance on April 6, 2011 described below, the Company used a portion of the proceeds from the senior notes issuance to refinance on a long term basis the outstanding balance of $295,000. As such, in accordance with ASC 470, *Classification of Short-Term Obligations Expected to Be Refinanced*, the Company recorded $295,000 of its outstanding obligation as of March 31, 2011 under the syndicated revolving credit facility as a Noncurrent liabilities within the accompanying condensed consolidated balance sheet. On March 28, 2011, the Company entered into amendments to our revolving credit facility and our master shelf agreements to, among other things, permit the issuance of the notes and guarantees noted below.

On April 6, 2011, the Company completed an issuance of senior notes in the aggregate principal amount of $450,000. These senior notes are due on May 1, 2021 and accrue interest at a rate of 5.80%. The Company received net proceeds of $446,031 after deducting original issue discount, underwriting discount, and commissions of $3,969. 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 syndicated revolving credit facility or any amendment, refinancing or replacement thereof (See Note 15. Condensed Consolidated Financial Information for Guarantor Subsidiaries and Non-Guarantor Subsidiaries for further information). Interest will be payable semi-annually on May 1st and November 1st of each year, beginning on November 1, 2011. Interest accrues from April 6, 2011. The debt issuance costs will be amortized from the date of issuance to the maturity date.

9. Stockholders Deficit:

On November 18, 1996, the Company authorized 335,000,000 shares of ISO Class A redeemable common stock. Effective with the corporate reorganization on October 6, 2009, the ISO Class A redeemable common stock and all Verisk Class B shares sold into the IPO were converted to Verisk Class A common stock on a one-for-one basis. In addition, the Verisk Class A common stock authorized was increased to 1,200,000,000 shares. The Verisk 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 eight of the eleven members of the board of directors. The eleventh seat on the board of directors is held by the CEO of the Company.

On November 18, 1996, the Company authorized 1,000,000,000 ISO Class B shares and issued 500,225,000 shares. On October 6, 2009, the Company completed a corporate reorganization whereby the ISO Class B common stock and ISO Class B treasury stock were converted to Verisk Class B common stock and Verisk Class B treasury stock on a one-for-one basis. All Verisk Class B shares sold into the IPO were converted to Verisk Class A common stock on a one-for-one basis. In addition, the Verisk Class B common stock authorized was reduced to 800,000,000 shares, sub-divided into 400,000,000 shares of Class B-1 and 400,000,000 shares of Class B-2. Each share of Class B-1 common stock converted automatically, without any action by the stockholder, into one share of Verisk Class A common stock on April 6, 2011. Each share of Class B-2 common stock shall convert automatically, without any action by the stockholder, into one share of Verisk Class A common stock on October 6, 2011. The Class B shares have the same rights as Verisk Class A shares with respect to dividends and economic ownership, but have voting rights to elect three of the eleven directors. The Company did not repurchase any Class B shares during the three months ended March 31, 2011 and 2010.

On October 6, 2009, the Company authorized 80,000,000 shares of preferred stock, par value $0.001 per share, in connection with the reorganization. The preferred shares have preferential rights over the Verisk Class A and Class B common shares with respect to dividends and net distribution upon liquidation. The Company did not issue any preferred shares from the reorganization date through March 31, 2011.

Share Repurchase Program

On April 29, 2010, the Company s board of directors authorized a $150,000 share repurchase program of the Company s common stock (the Repurchase Program). On October 19, 2010, the Company s board of directors authorized another $150,000 of share repurchases under the Repurchase Program. Under the Repurchase Program, the Company may repurchase stock in the open market or as otherwise determined by the Company. 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). This authorization has no expiration date and may be 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. On March 11, 2011, the Company s board of directors authorized an additional $150,000 of share repurchases under the Repurchase Program.

During the three months ended March 31, 2011, 2,243,582 shares of Verisk Class A common stock were repurchased by the Company as part of this program at a weighted average price of $32.71 per share. The Company utilized cash from operations and borrowings from its syndicated revolving credit facility to fund these repurchases. As treasury stock purchases are recorded based on trade date, the Company has included $2,070 in Accounts payable and accrued liabilities in the accompanying consolidated balance sheets for those purchases that have not settled as of March 31,

2011. The Company had $164,105 available to repurchase shares under the Repurchase Program as of March 31, 2011.

Treasury Stock

As of March 31, 2011, the Company s treasury stock consisted of 9,354,784 Class A common stock, 186,102,482 Class B-1 common stock and 178,893,668 Class B-2 common stock. Consistent with the Class B-1 and Class B-2 common stock, the Company s Class B-1 treasury stock converted to Class A treasury stock on April 6, 2011 and the Class B-2 treasury stock will convert to Class A treasury stock on October 6, 2011.

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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 less the weighted average Employee Stock Ownership Plan (ESOP) shares of common stock that have not been committed to be released. 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, such as stock awards and stock options, 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, 2011 and 2010:

	2011	2010
Numerator used in basic and diluted EPS:		
Net income	$ 65,876	$ 55,375
Denominator:		
Weighted average number of common shares used in basic EPS	169,030,227	180,053,550
Effect of dilutive shares:		
Potential Class A common stock issuable upon the exercise of stock options	7,933,965	9,401,206
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	176,964,192	189,454,756
Basic EPS of Class A and Class B	$ 0.39	$ 0.31
Diluted EPS of Class A and Class B	$ 0.37	$ 0.29

The potential shares of common stock that were excluded from diluted EPS were 1,957,020 and 147,280 for the three months ended March 31, 2011 and 2010, respectively, because the effect of including these potential shares was anti-dilutive.

Accumulated Other Comprehensive Losses

The following is a summary of accumulated other comprehensive losses:

	March 31, 2011	December 31, 2010
Unrealized gains on investments	$ 599	$ 725
Unrealized foreign currency losses	(454)	(792)
Pension and postretirement unfunded liability adjustment	(54,982)	(55,736)
Accumulated other comprehensive losses	$ (54,837)	$ (55,803)

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The before tax and after tax amounts of other comprehensive income for the three months ended March 31, 2011 and 2010 are summarized below:

	Before Tax	Tax Benefit/ (Expense)	After Tax
For the Three Months Ended March 31, 2011			
Unrealized holding loss on investments arising during the year	$ (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
For the Three Months Ended March 31, 2010			
Unrealized holding gain on investments arising during the year	$ 146	$ (59)	$ 87
Reclassification adjustment for amounts included in net income	12	(5)	7
Unrealized foreign currency gain	3		3
Pension and postretirement unfunded liability adjustment	1,391	(545)	846
Total other comprehensive income	$ 1,552	$ (609)	$ 943

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. Cash received from stock option exercises for the three months ended March 31, 2011 and 2010 was $3,579 and $0, respectively. The Company did not grant any stock options for the three months ended March 31, 2011 and 2010. As of March 31, 2011, there are 8,683,159 shares of Class A common stock reserved and available for future issuance.

On April 1, 2011, the Company granted 1,401,308 nonqualified stock options and 146,664 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 the grant date, 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 the date of grant and has a graded service vesting period of four years. The Company will recognize 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 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.

Exercise prices for options outstanding and exercisable at March 31, 2011 ranged from $2.16 to $30.25 as outlined in the following table:

Options Outstanding		Options Exercisable
	Weighted	

Range of Exercise Prices	Weighted Average Remaining Contractual Life	Stock Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life	Stock Options Exercisable	Weighted Average Exercise Price
$2.16 to $2.96	1.8	1,772,850	$ 2.80	1.8	1,772,850	$ 2.80
$2.97 to $4.80	2.2	4,038,600	$ 3.72	2.2	4,038,600	$ 3.72
$4.81 to $8.90	4.2	3,732,250	$ 8.52	4.2	3,732,250	$ 8.52
$8.91 to $15.10	5.5	2,726,825	$ 13.55	5.5	2,726,825	$ 13.55
$15.11 to $17.84	7.5	5,650,215	$ 16.68	7.3	2,649,400	$ 17.05
$17.85 to $22.00	8.5	2,766,053	$ 22.00	8.5	437,192	$ 22.00
$22.01 to $30.25	9.0	2,127,046	$ 28.36	9.3	31,906	$ 30.20
		22,813,839			15,389,023	

A summary of options outstanding under the Incentive Plan and the Option Plan as of March 31, 2011 and changes during the three months ended are presented below:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	23,057,857	$ 13.35	$ 478,014
Exercised	(242,518)	$ 14.76	$ (4,296)
Cancelled or expired	(1,500)	$ 17.08	
Outstanding at March 31, 2011	22,813,839	$ 13.33	$ 443,189
Options exercisable at March 31, 2011	15,389,023	$ 9.39	$ 359,613
Options exercisable at December 31, 2010	14,820,447	$ 9.22	$ 368,466

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, 2011 was $443,189 and $359,613, 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 in the statement of cash flows as a financing cash inflow. For the three months ended March 31, 2011 and 2010, the Company recorded excess tax benefit from stock options exercised of $1,383 and $0, respectively. The Company realized $0 and $147 of tax benefit within the Company s quarterly tax payments through March 31, 2011 and 2010, respectively. The realized tax benefit is presented as a financing cash inflow within the accompanying condensed consolidated statements of cash flows.

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.

As of March 31, 2011, there was $35,095 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 2.34 years. As of March 31, 2011, there were 7,424,816 nonvested stock options, of which 6,429,934 are expected to vest. The total grant date fair value of options vested during the three months ended March 31, 2011 and 2010 was $4,818 and $6,177, respectively.

11. Pension and Postretirement Benefits:

Prior to January 1, 2002, the Company maintained a qualified defined 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. The Company has applied the projected unit credit cost method for its Pension Plan, which attributes an equal portion of total projected benefits to each year of employee service. 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. Prior to December 31, 2001, pension plan benefits were based on years of service and the average of the five highest consecutive years earnings of the last ten years. 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.

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.

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The components of net periodic benefit cost and the amounts recognized in other comprehensive income for the three-month periods ended March 31, 2011 and 2010 are summarized below:

	For the Three Months Ended March 31,			
	Pension Plan		Postretirement Plan	
	2011	2010	2011	2010
Service cost	$ 1,570	$ 1,810	$	$
Interest cost	5,441	5,275	251	320
Amortization of transition obligation				42
Expected return on plan assets	(6,465)	(5,638)		
Amortization of prior service cost	(200)	(200)	(36)	
Amortization of net actuarial loss	1,409	1,411	163	138
Net periodic benefit cost	$ 1,755	$ 2,658	$ 378	$ 500
Employer contributions	$ 6,168	$ 4,165	$ 315	$ 755

The expected contributions to the Pension Plan and the Postretirement Plan for the year ending December 31, 2011 are consistent with the amounts previously disclosed as of December 31, 2010.

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.

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.

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 income from continuing operations before investment income and interest expense, income taxes, depreciation and amortization, and acquisition related liabilities adjustment. 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 gains/(losses) on securities, net, interest expense, or 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, 2011 or 2010. No individual country outside of the U.S. accounted for 1% or more of total consolidated long-term assets as of March 31, 2011 or December 31, 2010.

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The following tables provide the Company s revenue and operating income performance by reportable segment for the three-month periods ended March 31, 2011 and 2010, as well as a reconciliation to income before income taxes for all periods presented in the accompanying condensed consolidated statements of operations:

	For the Three Months Ended March 31, 2011			For the Three Months Ended March 31, 2010		
	Risk Assessment	Decision Analytics	Total	Risk Assessment	Decision Analytics	Total
Revenues	$ 140,543	$ 172,326	$ 312,869	$ 134,578	$ 141,576	$ 276,154
Expenses:						
Cost of revenues (exclusive of items shown separately below)	47,257	77,299	124,556	49,898	65,095	114,993
Selling, general and administrative	19,127	30,129	49,256	19,184	18,330	37,514
Segment EBITDA	74,159	64,898	139,057	65,496	58,151	123,647
Depreciation and amortization of fixed assets	4,318	6,987	11,305	4,323	5,606	9,929
Amortization of intangible assets	36	8,419	8,455	36	7,268	7,304
Operating income	69,805	49,492	119,297	61,137	45,277	106,414
Unallocated expenses:						
Investment income			10			32
Realized gains on securities, net			362			32
Interest expense			(9,615)			(8,466)
Income before taxes			$ 110,054			$ 98,012
Capital expenditures, including non-cash purchases of fixed assets and capital lease obligations	$ 3,395	$ 15,345	$ 18,740	$ 1,889	$ 6,999	$ 8,888

Operating segment revenue by type of service is provided below:

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010
Risk Assessment:		
Industry-standard insurance programs	$ 92,857	$ 88,044
Property-specific rating and underwriting information	34,497	33,959
Statistical agency and data services	7,742	7,179
Actuarial services	5,447	5,396

Total Risk Assessment	140,543	134,578
Decision Analytics:		
Fraud identification and detection solutions	86,586	78,795
Loss prediction solutions	52,941	36,928
Loss quantification solutions	32,799	25,853
Total Decision Analytics	172,326	141,576
Total revenues	$ 312,869	$ 276,154

13. Related Parties:

The Company considers its Verisk Class A and Class B stockholders that own more than 5% of the outstanding stock within the respective class to be related parties as defined within ASC 850, *Related Party Disclosures*. At March 31, 2011, the related parties were four Class B stockholders each owning more than 5% of the outstanding Class B shares compared to six Class B stockholders at March 31, 2010 of which four remained unchanged. At March 31, 2011 and 2010, there were four and five Class A stockholders owning more than 5% of the outstanding Class A shares, respectively. The Company had accounts receivable, net of $612 and $515 and fees received in advance of $1,425 and $1,231 from related parties as of March 31, 2011 and December 31, 2010, respectively. In addition, the Company had revenues from related parties for the three months ended March 31, 2011 and 2010 of $4,396 and $15,133, respectively.

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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 those matters described below. 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 they may have on the Company s results of operations, financial position or cash flows. This is primarily because many of these cases remain in their early stages and only limited discovery has taken place. Although the Company believes it has strong defenses for the litigation proceedings described below, 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.

Claims Outcome Advisor Litigation

Hensley, et al. v. Computer Sciences Corporation et al. was a putative nationwide class action complaint, filed in February 2005, in Miller County, Arkansas state court. Defendants included numerous insurance companies and providers of software products used by insurers in paying claims. The Company was among the named defendants. Plaintiffs alleged that certain software products, including the Company s Claims Outcome Advisor product and a competing software product sold by Computer Sciences Corporation, improperly estimated the amount to be paid by insurers to their policyholders in connection with claims for bodily injuries.

The Company entered into settlement agreements with plaintiffs asserting claims relating to the use of Claims Outcome Advisor by defendants Hanover Insurance Group, Progressive Car Insurance and Liberty Mutual Insurance Group. Each of these settlements was granted final approval by the court and together the settlements resolve the claims asserted in this case against the Company with respect to the above insurance companies, who settled the claims against them as well. A provision was made in 2006 for this proceeding and the total amount the Company paid in 2008 with respect to these settlements was less than $2,000. A fourth defendant, The Automobile Club of California, which is alleged to have used Claims Outcome Advisor, was dismissed from the action. On August 18, 2008, pursuant to the agreement of the parties the Court ordered that the claims against the Company be dismissed with prejudice.

Subsequently, Hanover Insurance Group made a demand for reimbursement, pursuant to an indemnification provision contained in a December 30, 2004 License Agreement between Hanover and the Company, of its settlement and defense costs in the *Hensley* class action. Specifically, Hanover demanded $2,536 including $600 in attorneys fees and expenses. The Company disputes that Hanover is entitled to any reimbursement pursuant to the License Agreement. In July 2010, after the Company and Hanover were unable to resolve the dispute in mediation, Hanover served a summons and complaint seeking indemnity and contribution from the Company. At this time, it is not possible to determine the ultimate resolution of or estimate the liability related to this matter.

Xactware Litigation

The following two lawsuits were filed by or on behalf of groups of Louisiana insurance policyholders who claim, among other things, that certain insurers who used products and price information supplied by the Company s Xactware subsidiary (and those of another provider) did not fully compensate policyholders for property damage covered under their insurance policies. The plaintiffs seek to recover compensation for their damages in an amount equal to the difference between the amount paid by the defendants and the fair market repair/restoration costs of their damaged property.

Schafer v. State Farm Fire & Cas. Co., et al. was a putative class action pending against the Company and State Farm Fire & Casualty Company filed in March 2007 in the Eastern District of Louisiana. The complaint alleged antitrust violations, breach of contract, negligence, bad faith, and fraud. The court dismissed the antitrust claim as to both defendants and dismissed all claims against the Company other than fraud. Judge Duval denied plaintiffs motion to certify a class with respect to the fraud and breach of contract claims on August 3, 2009. After the single action was reassigned to Judge Africk plaintiffs agreed to settle the matter with the Company and State Farm and a Settlement Agreement and Release was executed by all parties in June 2010.

Mornay v. Travelers Ins. Co., et al. is a putative class action pending against the Company and Travelers Insurance Company filed in November 2007 in the Eastern District of Louisiana. The complaint alleged antitrust violations, breach of contract, negligence, bad faith, and fraud. As in Schafer, the court dismissed the antitrust claim as to both defendants and dismissed all claims against the Company other than fraud. Judge Duval stayed all proceedings in the case pending an appraisal of the lead plaintiff s insurance claim. The matter was re-assigned to Judge Barbier, who on September 11, 2009 issued an order administratively closing the matter pending completion of the appraisal process. 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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iiX Litigation

In April 2010, the Company s subsidiary, iiX, as well as other information providers in the State of Missouri were served with a summons and class action complaint filed in the United States District Court for the Western District of Missouri alleging violations of the Driver Privacy Protection Act, or the DPPA, entitled *Janice Cook, et al. v. ACS State & Local Solutions, et al.* Plaintiffs brought the action on their own behalf and on behalf of all similarly situated individuals whose personal information is contained in any motor vehicle record maintained by the State of Missouri and who have not provided express consent to the State of Missouri for the distribution of their personal information for purposes not enumerated by the DPPA and whose personal information has been knowingly obtained and used by the defendants. The class complaint alleges that the defendants knowingly obtained personal information for a purpose not authorized by the DPPA and seeks liquidated damages in the amount of two thousand five hundred dollars for each instance of a violation of the DDPA, punitive damages and the destruction of any illegally obtained personal information. The court granted iiX s motion to dismiss the complaint based on a failure to state a claim on November 19, 2010. Plaintiffs filed a notice of appeal on December 17, 2010. At this time, it is not possible to determine the ultimate resolution of or estimate the liability related to this matter.

Interthinx Litigation

In September 2009, the Company s subsidiary, Interthinx, Inc., was served with a putative class action entitled *Renata Gluzman v. Interthinx, Inc.* The plaintiff, a former Interthinx employee, filed the class action on August 13, 2009 in the Superior Court of the State of California, County of Los Angeles on behalf of all Interthinx information technology employees for unpaid overtime and missed meals and rest breaks, as well as various related claims claiming that the information technology employees were misclassified as exempt employees and, as a result, were denied certain wages and benefits that would have been received if they were properly classified as non-exempt employees. The pleadings included, among other things, a violation of Business and Professions Code 17200 for unfair business practices, which allowed plaintiffs to include as class members all information technology employees employed at Interthinx for four years prior to the date of filing the complaint. The complaint sought compensatory damages, penalties that are associated with the various statutes, restitution, interest costs, and attorney fees. On June 2, 2010, plaintiffs agreed to settle their claims with Interthinx and the court granted final approval to the settlement on February 23, 2011.

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

In April 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, all as of March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 and 2010. 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.

CONDENSED CONSOLIDATING BALANCE SHEET
As of March 31, 2011

	Verisk Analytics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1	$ 71,056	$ 30,181	$	$ 101,238
Available-for-sale securities		5,603			5,603
Accounts receivable, net of allowance for doubtful accounts of $3,435 (including amounts from related parties of $612)		142,446	21,442		163,888
Prepaid expenses		23,324	2,166		25,490
Deferred income taxes, net		2,745	936		3,681
Federal and foreign income taxes receivable			1,629	(1,629)	
State and local income taxes receivable		3,089	1,004		4,093
Intercompany receivables	113,361	750,893	74,996	(939,250)	
Other current assets		7,249	456		7,705
Total current assets	113,362	1,006,405	132,810	(940,879)	311,698
Noncurrent assets:					
Fixed assets, net		86,581	14,193		100,774
Intangible assets, net		69,986	121,788		191,774
Goodwill		449,065	183,603		632,668
Deferred income taxes, net		64,061		(42,513)	21,548
State income taxes receivable		1,773			1,773
Investment in subsidiaries	393,268	20,166		(413,434)	
Other assets		9,766	16,430		26,196
Total assets	$ 506,630	$ 1,707,803	$ 468,824	$ (1,396,826)	$ 1,286,431

LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$	$ 73,252	$ 15,206	$	$ 88,458
Acquisition related liabilities			3,500		3,500
Short-term debt and current portion of long-term debt		129,802	195		129,997
Pension and postretirement benefits, current		4,663			4,663
Fees received in advance (including amounts from related parties of $1,425)		224,863	22,201		247,064
Intercompany payables	615,721	184,341	139,188	(939,250)	
Federal and foreign taxes payable		20,417		(1,629)	18,788
Total current liabilities	615,721	637,338	180,290	(940,879)	492,470
Noncurrent liabilities:					
Long-term debt		700,495	25		700,520
Pension and postretirement benefits		112,927			112,927
Deferred income taxes			42,513	(42,513)	
Other liabilities		71,116	18,489		89,605
Total liabilities	615,721	1,521,876	241,317	(983,392)	1,395,522
Total stockholders (deficit)/equity	(109,091)	185,927	227,507	(413,434)	(109,091)
Total liabilities and stockholders (deficit)/equity	$ 506,630	$ 1,707,803	$ 468,824	$ (1,396,826)	$ 1,286,431

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CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2010

	Verisk Analytics, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1	$ 31,576	$ 23,397	$	$ 54,974
Available-for-sale securities		5,653			5,653
Accounts receivable, net of allowance for doubtful accounts of $4,028 (including amounts from related parties of $515)		98,817	27,747		126,564
Prepaid expenses		15,566	2,225		17,791
Deferred income taxes, net		2,745	936		3,681
Federal and foreign income taxes receivable		13,590	2,193		15,783
State and local income taxes receivable		7,882	1,041		8,923
Intercompany receivables	101,470	668,906	59,021	(829,397)	
Other current assets		6,720	346		7,066
Total current assets	101,471	851,455	116,906	(829,397)	240,435
Noncurrent assets:					
Fixed assets, net		78,928	14,481		93,409
Intangible assets, net		75,307	124,922		200,229
Goodwill		449,065	183,603		632,668
Deferred income taxes, net		64,421		(42,542)	21,879
State income taxes receivable		1,773			1,773
Investment in subsidiaries	326,387	20,912		(347,299)	
Other assets		10,248	16,449		26,697
Total assets	$ 427,858	$ 1,552,109	$ 456,361	$ (1,219,238)	$ 1,217,090
LIABILITIES AND STOCKHOLDERS (DEFICIT)/EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	$	$ 95,425	$ 16,570	$	$ 111,995
Acquisition related liabilities					