Verisk Analytics, Inc.
Form 10-K
February 19, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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) 469-3000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $.001 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
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 No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

Emerging growth company

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

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

As of June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $16,796,964,310 based on the closing price reported on the NASDAQ Global Select Market on such date.

As of February 15, 2019, there were 163,509,530 shares outstanding of the registrant's Common Stock, par value $.001.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this annual report on Form 10-K is incorporated by reference to our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2018.

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Unless the context otherwise indicates or requires, as used in this annual report on Form 10-K, references to “we,” “us,” “our” or the “Company” refer to Verisk Analytics, Inc. and its subsidiaries.

In this annual report on Form 10-K, all dollar amounts are expressed in millions, unless indicated otherwise.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Verisk Analytics, Inc., or Verisk, has made statements under the captions “Business,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in other sections of this annual report on Form 10-K that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “p “potential,” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled “Risk Factors.” You should specifically consider the numerous risks outlined under “Risk Factors.”

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this annual report on Form 10-K to conform our prior statements to actual results or revised expectations.

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PART I

Item 1. Business

Our Company

Verisk is a leading data analytics provider serving customers in insurance, energy and specialized markets, and financial services. Using advanced technologies to collect and analyze billions of records, we draw on unique data assets and deep domain expertise to provide innovations that may be integrated into customer workflows. We offer predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, natural resources intelligence, economic forecasting, and many other fields. In the United States, or U.S., and around the world, we help customers protect people, property, and financial assets.

Our customers use our solutions to make better decisions about risk and opportunities with greater efficiency and discipline. We refer to these products and services as solutions due to the integration among our services and the flexibility that enables our customers to purchase components or a comprehensive package. These solutions take various forms, including data, expert insight, statistical models and tailored analytics all designed to allow our customers to make more logical decisions. We believe our solutions for analyzing risk have a positive impact on our customers' revenues and help them better manage their costs. In 2018, our customers included all of the top 100 property and casualty, or P&C, insurance providers in the U.S. for the lines of P&C services we offer, and all of the top 30 credit card issuers in North America, the United Kingdom and Australia, as well as 9 of the top 10 global energy providers around the world. We also work with a wide range of companies, governments and institutions across the energy, and metals and mining value chains. We believe that our commitment to our customers and the embedded nature of our solutions serve to strengthen and extend our relationships.

We believe that Verisk is uniquely positioned because of the set of distinctives or competitive advantages we cultivate and continue to expand. Our existing businesses, in addition to new product innovations, integrate the following four singular qualities into the foundation of our strategy.

Our Distinctives

- Unique Data Assets - Data is at the core of what we do. We use our proprietary data assets to develop predictive analytics and transformative models for our customers.
- Deep Domain Expertise - We have specialized and in-depth knowledge in a number of defined vertical markets, including insurance, energy, financial services, and risk management. We understand that different verticals require different approaches, and our deep domain expertise adds value to our analytics in the markets we serve.
- Steady Stream of First-to-Market Innovations - We move quickly to be the first to market with new solutions. Typically, the marketplace assumes that those who are first to market are superior to the competition and better positioned to succeed.
- Deep Integration into Customer Workflows - By embedding our solutions into customer workflows, we help our customers better manage risk and optimize their bottom line. We achieve this goal by remaining closely connected to our customers at all times and serving their distinct needs.

We offer our solutions and services primarily through annual subscriptions or long-term agreements, which are typically pre-paid and represented over 80% of our revenues in 2018. For the year ended December 31, 2018, we had revenues of $2,395.1 million and net income of $598.7 million. For the five year period ended December 31, 2018, our revenues and net income grew at a compound annual growth rate, or CAGR, of 13.7% and 10.6%, respectively.

Our History

We trace our history to 1971, when Insurance Services Office, Inc., or ISO, started operations as a not-for-profit advisory and rating organization providing services to the U.S. P&C insurance industry. ISO was formed as an association of insurance companies to gather statistical data and other information from insurers and report to regulators, as required by law. ISO's original functions also included developing programs to help insurers define and manage insurance products and providing information to help insurers determine their own independent premium rates. Insurers used and continue to use our offerings primarily in their product development, underwriting and rating functions.

On May 23, 2008, in contemplation of our initial public offering, or IPO, ISO formed Verisk Analytics, Inc., or Verisk, a Delaware corporation, to be the holding company for our business. Verisk was initially formed as a wholly-owned subsidiary

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of ISO. On October 6, 2009, in connection with our IPO, the Company effected a reorganization whereby ISO became a wholly-owned subsidiary of Verisk. Verisk common stock began trading on the NASDAQ Global Select Market on October 7, 2009, under the ticker symbol “VRSK.”

Over the past two decades, we have transformed our business beyond its original functions by deepening and broadening our data assets, developing a set of integrated risk management solutions and services and addressing new markets. Our expansion into analytics began when we acquired the American Insurance Services Group, or AISG, and certain operations and assets of the National Insurance Crime Bureau in 1997 and 1998, respectively. Those organizations brought to the company large databases of insurance claims, as well as expertise in detecting and preventing claims fraud. To further expand our business, in 2002, we acquired AIR Worldwide, or AIR, the technological leader in catastrophe modeling. In 2006, to bolster our position in the insurance claims field we acquired Xactware, a leading supplier of estimation software for professionals involved in building repair and reconstruction. In 2012, we acquired Argus Information & Advisory Services, LLC, or Argus, to expand our global presence providing information, competitive benchmarking, analytics, and customized services to financial institutions in the payments space. In 2015, we acquired Wood Mackenzie Limited, or Wood Mackenzie, to advance our strategy to expand internationally and position us in the global energy market. In 2017, we acquired a group of similar but unrelated companies for aerial image capture purposes, or Aerial Imagery acquisitions, in our insurance vertical. Additionally, in 2017, we acquired G2 Web Services, LLC, or G2; Sequel Business Solutions Ltd., or Sequel; Lundquist Consulting, Inc., or LCI; and PowerAdvocate, Inc., or PowerAdvocate, to further strengthen our position in the Insurance, Energy and Specialized Markets and Financial Services segments. The Aerial Imagery acquisitions provide multi-spectral aerial photographic services with expertise in offering digital photogrammetric and remote sensing data for mapping and surveying applications. G2 provides merchant risk intelligence solutions for acquirers, commercial banks, and other payment system providers. Sequel is a leading insurance and reinsurance software specialist based in London. LCI offers risk insight, prediction, and management solutions for banks and creditors. PowerAdvocate is a leading data analytics provider with a one-of-a-kind spend and cost data that are curated from millions of transactions across thousands of services, materials, and equipment categories in the energy industry. In 2018, we acquired Rulebook Limited, or Rulebook, to further our international insurance presence in the overseas market.

Those acquisitions have added scale, geographic reach, highly skilled workforces, and a wide array of new capabilities to support our customers. They have helped to make us a leading provider of information and decision analytics for customers involved in the business of risk in the U.S. and selectively around the world.

Segments

We organize our business in three segments: Insurance, Energy and Specialized Markets and Financial Services. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this annual report for additional information regarding our segments. See Note 19. of our consolidated financial statements included in this annual report on Form 10-K for further information.

Insurance Segment

Our Insurance segment primarily serves our P&C insurance customers and focuses on the prediction of loss, the selection and pricing of risk, and compliance with their reporting requirements in each U.S. state in which they operate. We also develop predictive models to forecast scenarios and produce both standard and customized analytics that help our customers better manage their businesses, including detecting fraud before and after a loss event, and quantifying losses. Our customers include most of the P&C insurance providers in the U.S. In recent years, we have expanded our offerings to also serve certain non-U.S. markets.

Underwriting & rating

We are the recognized leader in the U.S. for industry-standard insurance programs that help P&C insurers define coverages and issue policies. We provide policy language, prospective loss costs, policy writing rules, and a variety of other solutions for 29 lines of insurance. Our policy language, prospective loss cost information and policy writing rules can serve as integrated turnkey insurance programs for our customers. Insurance companies need to ensure that their policy language, rules, and rates comply with all applicable legal and regulatory requirements. Insurers must also make sure their policies remain competitive by promptly changing coverages in response to changes in statutes or case law. To meet their needs, we process approximately 2,400 regulatory filings and interface with state regulators in all 50 states plus the District of Columbia, Guam, Puerto Rico, and the Virgin Islands each year to ensure smooth implementation of our rules and forms. When insurers choose to develop their own alternative programs, our industry-standard insurance programs also help regulators ensure that such insurers' policies meet basic coverage requirements.

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Standardized coverage language, which has been tested in litigation and tailored to reflect judicial interpretation, helps ensure consistent treatment of claimants. As a result, our industry-standard language also simplifies claim settlements and can reduce the occurrence of costly litigation, because our language causes the meaning of coverage terminology to become established and known. Our policy language includes standard coverage language, endorsements and policy writing support language that assist our customers in understanding the risks they assume and the coverages they offer. With these policy programs, insurers also benefit from economies of scale. We have more than 120 specialized lawyers and insurance experts reviewing changes in each state’s insurance rules and regulations, including an average of approximately 13,000 legislative bills, 9,000 regulatory actions and 2,000 court decisions per year, to make any required changes to our policy language and rating information.

To cover the wide variety of risks in the marketplace, we offer a broad range of policy programs. For example, in the homeowners line of insurance, we maintain policy language and rules for 6 basic coverages, 283 national endorsements, and 611 state-specific endorsements.

The P&C insurance industry is heavily regulated in the U.S. P&C insurers are required to collect statistical data about their premiums and losses and to report that data to regulators in every state in which they operate. Our statistical agent services have enabled P&C insurers to meet those regulatory requirements for more than 45 years. We aggregate the data, and as a licensed or appointed “statistical agent” in all 50 states, Puerto Rico, and the District of Columbia, we report those statistics to insurance regulators. We are able to capture significant economies of scale given the level of penetration of this service within the U.S. P&C insurance industry.

To provide our customers and the regulators the information they require, we maintain one of the largest private databases in the world. Over the past four decades, we have developed core expertise in acquiring, processing, managing, and operating large and comprehensive databases that are the foundation of our insurance offerings. We use our proprietary technology to assemble, organize and update vast amounts of detailed information submitted by our customers. We supplement this data with publicly available information.

Each year, P&C insurers send us approximately 3.7 billion detailed individual records of insurance transactions, such as insurance premiums collected or losses incurred. We maintain a database of more than 21.4 billion statistical records, including approximately 9.1 billion commercial lines records and approximately 12.3 billion personal lines records. We collect unit transaction detail of each premium and loss record, which enhances the validity, reliability and accuracy of our data sets and our actuarial analyses. Our proprietary quality process includes more than 2,900 separate checks to ensure that the data meets our high standards of quality.

We provide actuarial services to help our customers analyze and price their risks. Using our large database of premium and loss data, our actuaries are able to perform sophisticated analyses using our predictive models and analytic methods to help our P&C insurance customers with pricing, loss reserving, and marketing. We distribute a number of actuarial solutions and offer flexible services to meet our customers’ needs. In addition, our actuarial consultants provide customized services for our customers that include assisting them with the development of independent insurance programs, analysis of their own underwriting experience, development of classification systems and rating plans, and a wide variety of other business decisions. We also supply information to various customers in other markets including reinsurance and government agencies.

We project customers' future losses and loss expenses using a broad set of data. Those projections tend to be more reliable than if our customers used their own data exclusively. We make a number of actuarial adjustments before the data is used to estimate future costs. Our customers can use our estimates of future costs in making independent decisions about the prices charged for their policies. For most P&C insurers, in most lines of business, we believe that our estimates of future costs are an essential input to rating decisions. Our actuarial products and services are also used to create the analytics underlying our industry-standard insurance programs described above.

We gather information on properties, businesses, and communities so that insurers can evaluate, price, and efficiently process commercial insurance applications, including property, auto, general liability, business owner's policy, and workers compensation. Our property-specific rating and underwriting data and analytics allow our customers to understand, quantify, mitigate, and avoid potential losses, while matching price to exposure. Our ProMetrix® platform contains information on 6 million commercial buildings, 27.5 million businesses, loss costs and virtually all communities in the U.S. We have a staff of approximately 550 field representatives strategically located around the

U.S. who observe and report on conditions at commercial and residential properties, evaluate community fire-protection capabilities and assess the effectiveness of municipal building-code enforcement. Each year, our field staff visits approximately 290,000 commercial properties to collect information on new buildings and verify building attributes.

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We are a leading provider of solutions for the personal underwriting markets, including homeowners and auto lines. We build and maintain widely used, industry-standard tools that assist insurers in underwriting and rating, that is, measuring and selecting risks and pricing coverage appropriately to ensure fairness to the consumer and a reasonable return for the insurer. Our solutions apply advanced predictive analytics to our deep reservoir of data and information to quickly and precisely gauge the degree and cost of risk.

Our solutions span a wide range of P&C insurance, encompassing personal and commercial lines of coverage that protect private residences, private and commercial vehicles, and businesses.

We also provide proprietary analytic measures for individual communities to mitigate losses from important perils. Nearly every property insurer in the U.S. uses our evaluations of community firefighting capabilities to help determine premiums for fire insurance throughout the country. We provide field-verified and validated data on the fire protection services for approximately 40,000 fire response jurisdictions. We also offer services to evaluate the effectiveness of community enforcement of building codes and the efforts of communities to mitigate damage from flooding. Further, we provide information on the insurance rating territories, premium taxes, crime risk, and hazards of windstorm, earthquake, wildfire, and other perils. To supplement our data on specific commercial properties and individual communities, we have assembled, from a variety of internal and select third-party sources, information on hazards related to geographic locations representing every postal address in the U.S. Insurers use this information for policy quoting and analyzing risk concentration in geographical areas. We also make our data and analytics available to commercial real estate lenders to allow them to better understand risks associated with properties they lend against.

We are a leader in and pioneered the field of probabilistic catastrophe modeling used by insurers, reinsurers, financial institutions, and government to manage their risk from extreme events. Our models, which form the basis of our solutions, enable companies to identify, quantify and plan for the financial consequences of catastrophes. We have developed models for hurricanes, earthquakes, winter storms, tornadoes, hailstorms, and floods in more than 110 countries, as well as pandemics worldwide. We have developed a probabilistic terrorism model capable of quantifying the risk in the U.S. from this evolving threat, which supports pricing and underwriting decisions down to the level of an individual policy, as well as models for estimating losses to crop insurance programs in the U.S., Canada and China. Our newest models offer risk management solutions for the cyber and casualty lines of business.

We have begun to expand our footprint of data and solutions to include both U.S. and international markets.

Claims

Our claims insurance solutions provide our customers analytics in the areas of fraud detection, repair cost estimation, and aerial imagery business, including emerging areas of interest within these categories.

We are a leading provider of fraud-detection tools for the P&C insurance industry. Our anti-fraud solutions improve our customers' profitability by both predicting the likelihood that fraud is occurring and detecting suspicious activity after it has occurred. When a claim is submitted, our system searches our database and returns information about other claims filed by the same individuals or businesses (either as claimants or insurers), that helps our customers determine if fraud has occurred. The system searches for matches in identifying informational fields, such as name, address, Social Security number, vehicle identification number, driver's license number, tax identification number, or other parties to the loss. Our system also includes advanced name and address searching to perform intelligent searches and improve the overall quality of the matches. Information from match reports speeds payment of meritorious claims while providing a defense against fraud and can lead to denial of a claim, negotiation of a reduced award, or further investigation by the insurer or law enforcement.

We have a comprehensive system used by claims adjusters and investigation professionals to process claims and fight fraud. Claims databases are one of the key tools in the fight against insurance fraud. The benefits of a single all-claims database include improved efficiency in reporting data and searching for information, enhanced capabilities for detecting suspicious claims and superior information for investigating fraudulent claims, suspicious individuals, and possible fraud rings. Our database contains information for more than 1.3 billion claims and is the world's largest database of P&C claims information used for claims and investigations. Insurers and other participants submit new claims more than 240,000 a day on average across all categories of the U.S. P&C insurance industry.

We also provide data, analytics, and networking products for professionals involved in estimating all phases of building repair and reconstruction. We provide solutions for every phase of a building's life, including:

- quantifying the ultimate cost of repair or reconstruction of damaged or destroyed buildings,
- aiding in the settlement of insurance claims, and

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- tracking the process of repair or reconstruction and facilitating communication among insurers, adjusters, contractors, and policyholders.

To help our customers estimate repair costs, we provide a solution that assists contractors and insurance adjusters in estimating repairs using a patented plan-sketching program. The program allows our customers to sketch floor plans, roof plans and wall-framing plans and automatically calculates material and labor quantities for the construction of walls, floors, footings, and roofs.

We also offer our customers access to wholesale and retail price lists, which include structural repair and restoration pricing for 467 separate economic areas in North America. We revise this information monthly and, in the aftermath of a major disaster, we can update the price lists as often as weekly to reflect rapid price changes. Our structural repair and cleaning database contains approximately 21,000 unit-cost line items. For each line item such as smoke cleaning, water extraction and hazardous cleanup, we report time and material pricing, including labor, labor productivity rates (for new construction and restoration), labor burden and overhead, material costs, and equipment costs. We improve our reported pricing data by several methods including direct market surveys and an analysis of the actual claims experiences of our customers. We estimate that more than 80.0% of insurance repair contractors and service providers in the U.S. and Canada with computerized estimating systems use our building and repair pricing data. Use of such a large percentage of the industry's claims data leads to accurate reporting of pricing information, which we believe is unmatched in the industry.

In addition, we provide an efficient multitier, multispectral terrestrial imagery and data acquisition, processing, analytics, and distribution system. Using the latest remote sensing and machine learning technologies, we gather, store, process, and deliver geographic and spatially referenced information that supports uses in many markets, including insurance, commercial property, energy, banking, architecture, engineering, emergency response, and urban planning. Mapping professionals and firms leverage our data to accurately understand growth and change, determine damage, discover hazards, assess risk, and perform valuations.

We continually pursue new solutions that help our customers keep abreast of changing markets and technology. For example, we provide tools and platforms to help insurers, their customers, and providers of products and services to leverage the growing Internet of Things. This technology connects devices, vehicles, and homes to the Internet and generates valuable data to underwrite, rate, and manage risk while enriching customer relationships. By ingesting, storing, and normalizing this data, Verisk makes it accessible for users to extract business insights at a significantly lower cost and logistical burden than they could achieve on their own.

Energy and Specialized Markets Segment

We are a leading provider of data analytics across the natural resources value chain including the global energy, chemicals, metals, mining, power and renewables sectors. We provide research and consulting services focusing on exploration strategies and screening, asset development and acquisition, commodity markets, and corporate analysis. We offer consultancy in the areas of business environment, business improvement, business strategies, commercial advisory, and transaction support. We deliver analysis and advice on assets, companies, governments, and markets. We provide comprehensive and integrated coverage and analysis of relevant commodities across the interconnected global energy sectors. We continuously gather and manage proprietary information, insight, and analysis on thousands of oil and gas fields, mines, refineries and other assets, as well as detailed assessments of the market fundamentals across each value chain. Our experts analyze the data and work directly with customers to address their business challenges. Our growing customer base includes international and national energy companies, as well as chemicals, metals, mining, power utilities and renewables companies, financial institutions, and governments. We work with a range of diverse teams, from strategy and policy makers, business developers, and market analysts to corporate finance, risk teams and investors.

We provide market and cost intelligence to energy companies to optimize financial results. We combine information, innovative technology, and expert services to produce market intelligence. We aim to help asset-intensive clients achieve operational and financial excellence, increase profitability, and optimize business performance. In addition, our client service team of technical and professionals plays an integral role at a number of energy companies. We have engineers and supply chain professionals who consult on capital projects. Our team members include experts from the energy industry with hands-on operational experience.

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We help businesses and governments better anticipate and manage climate and weather-related risks. We prepare certain agencies and companies to anticipate, manage, react to, and profit from climate and weather-related risk. We serve our customers by providing state-of-the-art research, development and analysis delivered in reports, databases, and software solutions. We are dedicated to the advancement of scientific understanding of the atmospheric, climate and weather, ocean, and planetary sciences. Through research conducted by our in-house scientific staff, and often in collaboration with world-renowned scientists at academic and other research institutions, we have developed analytical tools to help measure and observe environmental properties and translate those measurements into actionable information.

We also offer a comprehensive suite of data and information services that enable improved compliance with global Environmental Health and Safety, or EH&S, requirements related to the safe manufacturing, distribution, transportation, usage, and disposal of chemicals and products. From the supply chain or solutions life cycle, we deliver a program specific to the EH&S compliance information and management needs of our customers. Our full solutions life cycle and cross-supply chain approach provides a single, integrated solution for managing customers' EH&S capabilities, which results in improved processes and reduced cost, risk, and liability.

Financial Services Segment

We maintain the largest bank account consortia to provide competitive benchmarking, decisioning algorithms, business intelligence, and customized analytic services to financial institutions, payment networks and processors, alternative lenders, regulators and merchants - enabling better strategy, marketing, and risk decisions. Our teams are located across U.S., U.K., Canada, Australia, New Zealand, the United Arab Emirates, Mexico and India, delivering unique products and services to an expanding customer base that values the comprehensiveness of our data and solutions, as well as our full wallet spend view of a consumer. Complimenting this, we leverage our partnerships with processors and credit bureaus, to not only augment the richness of our data, but also to provide expanded solutions across the broad span of consumer banking and retail products. Meanwhile, we offer services and a suite of solutions to satisfy growing customer needs for better forecasting and expense tools, and regulatory-focused solutions. In addition, we provide solutions in the media effectiveness space given the unique nature and strength of our partnerships and through our developing Marketview brand.

Our professionals have substantive industry knowledge about providing solutions to the financial services sector. We are known for our unique ability to blend the highly technical, data-centered aspects of our projects with expert communication and business knowledge. Our solutions enhance our customers’ ability to manage their businesses' profitably and position them better to handle present day challenges (competitive, regulatory, and economic). Specifically, we use comprehensive transaction, risk, behavioral, and bureau-sourced account data to assist customers in making better business decisions through analysis and analytical solutions. We maintain a comprehensive and granular direct observation financial services industry database for credit card, debit card, and deposit transactions, as well as merchant and collections transactions.

Our Growth Strategy

Over the past five years, we have grown our revenues at a CAGR of 13.7% through the successful execution of our business plan. Those results reflect strong organic revenue growth, new product development, and acquisitions. We have made, and continue to make, investments in people, data sets, analytic solutions, technology, and complementary businesses. The key components of our strategy include the following:

Increase Solution Penetration with Customers. We expect to expand the application of our solutions in customers’ internal processes. Building on our deep knowledge of, and embedded position in, various industries, we expect to sell more solutions to existing customers tailored to individual market segments. By increasing the breadth and relevance of our offerings, we believe that we can strengthen our relationships with customers and increase our value to their decision making in critical ways. We have opportunities to expand solution penetration to our insurance, energy and financial services customers.

Develop New, Proprietary Data Sets and Predictive Analytics. We work with our customers to understand their evolving needs. We plan to create new solutions by enriching our mix of proprietary data sets, analytic solutions and effective decision support across the markets we serve. We constantly seek to add new data sets that can further leverage our analytic methods, technology platforms and intellectual capital.

Leverage Our Intellectual Capital to Expand into Adjacent Markets and New Customer Sectors. Our organization is built on more than four decades of intellectual property in risk management. We believe we can continue to expand the use of our intellectual capital profitably and apply our analytic methods in new markets where significant opportunities for long-term growth exist. We also continue to pursue growth through targeted international expansion.

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We have already demonstrated the effectiveness of this strategy with our expansion into non insurance financial services.

Pursue Strategic Acquisitions that Complement Our Leadership Positions. We will continue to expand our data and analytics capabilities across industries. While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to customers. We have developed an internal capability to source, evaluate, and integrate acquisitions that have created value for shareholders.

Our Customers

The customers in our Insurance segment for the lines of P&C services we offer include the top 100 P&C insurance providers in the U.S., as well as insurers in international markets. A substantial majority of P&C insurance providers in the U.S. use our statistical agent services to report to regulators, and the majority of insurers and reinsurers in the U.S. use our actuarial services and industry-standard insurance programs. In addition, certain agencies of the federal government as well as county and state governmental agencies and organizations use our solutions to help satisfy government needs for risk assessment and emergency response information. Furthermore, our claims database serves thousands of customers, representing approximately 90% of the P&C insurance industry by premium volume, 25 state workers' compensation insurance funds, more than 500 self-insurers, approximately 400 third-party administrators, several state fraud bureaus, and many law-enforcement agencies involved in the investigation and prosecution of insurance fraud. We estimate that more than 80% of insurance repair contractors and service providers in the U.S. and Canada with computerized estimating systems use our building and repair cost estimation pricing data.

Our customers within Energy and Specialized Markets segment include 9 of the top 10 global energy providers around the world. We also work with a wide range of companies, governments and institutions across the energy, and metals and mining value chains.

Within the Financial Services segment, our customers include financial institutions, payment networks and processors, alternative lenders, regulators, merchants, and all of the top 30 credit card issuers in North America, the United Kingdom, and Australia.

Our Competitors

We believe that no single competitor currently offers the same scope of services and market coverage we provide. The breadth of markets we serve exposes us to a broad range of competitors as described below. Businesses that we acquire may introduce us to additional competitors.

Our Insurance segment operates primarily in the U.S. P&C insurance industry, where we enjoy a leading market presence. We have a number of competitors in specific lines or services. We encounter competition from a number of sources, including insurers that develop internal technology and actuarial methods for proprietary insurance programs. Competitors also include other statistical agents, such as the National Independent Statistical Service, the Independent Statistical Service, Inc., and other advisory organizations, that provide underwriting rules, prospective loss costs, and coverage language, including the American Association of Insurance Services, Inc. and Mutual Services Organization. However, we believe that none of our competitors have the breadth or depth of data we have. Competitors for our property-specific rating and underwriting information are primarily limited to a number of regional providers of commercial property inspections and surveys, including Overland Solutions, Inc. and Regional Reporting, Inc. We also compete with a variety of organizations that offer consulting services, primarily specialty technology and consulting firms. In addition, a customer may use its own internal resources rather than engage an outside firm for these services. Our competitors also include information technology product and services vendors; management and strategy consulting firms; and smaller specialized information technology and analytical services firms, including Pinnacle Consulting and EMB, a unit of Willis Towers Watson. In the P&C insurance claims market and catastrophe modeling market, certain products are offered by a number of companies, including Risk Management Solutions (catastrophe modeling), CoreLogic (property replacement value), LexisNexis® Risk Solutions (loss histories and motor vehicle records for personal lines underwriting), Solera Holdings, Inc. (personal automobile underwriting), and Symbility. We believe that our P&C insurance industry expertise, and our ability to offer multiple applications, services and integrated solutions to individual customers are competitive strengths.

In the Energy and Specialized Markets segment, certain products are offered by a number of companies, including IHS Markit (natural resources), Rystad Energy (upstream), RS Energy (upstream), Global Data PLC (upstream), PIRA Energy Group (oil and gas markets), and CRU Group (metals) and Bloomberg New Energy Finance (Power & Renewables). We

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believe that our global integrated value chain knowledge and insight, bottom-up proprietary data, and long-term trusted relationships enhance our competitive position in relationship to those companies.

Within the Financial Services segment, our unique datasets and wallet solutions means that we have no direct competitors, and we work closely to create partnerships for mutual clients with organizations such as the card networks and credit bureaus to deepen ongoing relationships and create new value solutions. Our key competitors for our major brands are EverCompliant, WebShield, Trustwave, LegitScript, Lexus Nexis, American Infosource, and Phin Solutions.

Development of New Solutions

We take a market-focused team approach to developing our solutions. Our operating units are responsible for developing, reviewing, and enhancing our various products and services. Our data management and production team designs and manages our processes and systems for market data procurement, proprietary data production, and quality control. Our Joint Development Environment, or JDE, and Enterprise Data Management, or EDM, teams support our efforts to create new information and products from available data and explore new methods of collecting data. EDM is focused on understanding and documenting business unit and corporate data assets and data issues, sharing and combining data assets across the enterprise, creating an enterprise data strategy, facilitating research and product development, and promoting cross-enterprise communication. Our Verisk Innovative Analytics, or VIA, team is a corporate center of excellence for analytical methods in applying modeling techniques to predict risk outcomes.

Our software development teams build the technology used in many of our solutions. As part of our product development process, we continually solicit feedback from our customers on the value of our products and services and the market's needs. We have established an extensive system of customer advisory panels that meet regularly throughout the year to help us respond effectively to the needs of our markets. In addition, we use frequent sales calls, executive visits, user group meetings, and other industry forums to gather information to align our product development efforts with the needs of the market. We also use a variety of market research techniques to enhance our understanding of our customers and the markets in which they operate.

We add to our offerings through an active acquisition program. Since 2014, we have acquired 26 businesses, which have allowed us to enter new markets, offer new solutions and enhance the value of existing services with additional proprietary sources of data.

When we find it advantageous, we augment our proprietary data sources and systems by forming alliances with other leading information providers and technology companies and integrating their product offerings into our offerings. This approach gives our customers the opportunity to obtain the information they need from a single source and more easily integrate the information into their workflows.

Sales, Marketing, and Customer Support

We sell our solutions and services primarily through direct interaction with our customers. We employ a three-tier sales structure that includes salespeople, technical consultants, and sales support.Within the company, several areas have sales teams that specialize in specific products and services. Those specialized sales teams sell specific, highly technical solution sets to targeted markets in coordination with account management.

To provide account management to our largest customers in the insurance, energy and financial markets, we divide our customers into three groups. Tier One or "Global/National" Accounts, comprise of our largest customers. Tier Two, or "Strategic" Accounts, represent both large and middle market customer groups. Tier Three is composed of small and specialized companies that may represent one line of business, may be regionally focused, or are recent new entrants into the marketplace. In Tier One and Tier Two segments, we have sales teams organized by the following specialties: Personal or Commercial Lines Underwriting & Pricing, Claims, Catastrophe Risk, and Energy. In the Tier Three segment, we assign a sales generalist with overall account management responsibility. Our tiered approach has proven to be a successful sales model and approach to building customer relationships. Our senior executives regularly engage with the senior management of our customers to ensure customer satisfaction and strategic alignment and to support mutual innovation partnership opportunities.

Sales people participate in both sales and customer-service activities. They provide direct support, interacting frequently with assigned customers to assure a satisfactory experience using our services. Salespeople primarily seek out new sales opportunities and work with the various sales teams to coordinate sales activities and ensure our solutions fit the customer's needs. We believe our salespeople’s product knowledge, skills to develop relationships of trust, and local presence differentiate us from our competition. Technical consultants are subject matter experts and work with salespeople on specific opportunities for their assigned products and segments. Both salespeople and technical consultants have responsibility for identifying new sales opportunities. A team approach and a common customer relationship management system allow for effective coordination among the groups.

Sources of Our Data

The data we use to perform our analytics and power our solutions is sourced through seven different kinds of data arrangements. First, we gather data from our customers within agreements that also permit our customers to use the solutions created from their data. Those agreements remain in effect unless the data contributor chooses to opt out. It is very rare that contributors elect not to continue providing us data. Second, we have agreements with data contributors in which we specify the particular uses of their data and provide their required levels of privacy, protection of data, and where necessary, de-identification of data. The agreements represent no cost to us, generally feature a specified period of time for the data contributions, and require renewal. Third, we "mine" data found inside the transactions supported by our solutions; as an example, we use the claims settlement data generated inside our repair cost estimating solution to improve the cost factors used in our models. Again, those arrangements represent no cost to us, and we obtain the consent of our customers to make use of their data in this way. Fourth, we source data generally at no cost from public sources, including federal, state, and local governments. Fifth, we gather data about the physical characteristics of commercial properties through the direct observation of our field staff members, who also perform property surveys at the request of, and facilitated by, property insurers. Sixth, we independently collect data on geographic and spatially referenced information relating to residential and commercial structures by using the latest remote sensing and machine learning technologies. Lastly, we purchase data from data aggregators under contracts that reflect prevailing market pricing for the data elements purchased, including county tax assessor records, descriptions of hazards such as flood plains and professional licenses. We are the owners of the derivative solutions we create using the data we collect.

Information Technology

Technology

Our information technology systems and the more recent adoption of cloud computing are fundamental to our success. They are used for the storage, processing, access, and delivery of the data that forms the foundation of our business and the development and delivery of the solutions we provide to our customers. Much of the technology we use and provide to our customers is developed, maintained, and supported by approximately 20% of our employee population. We generally own, or have secured ongoing rights to use for the purposes of our business, all the customer-facing applications that are material to our operations. We support and implement a mix of technologies and focus on implementing the most efficient technology for any given business requirement or task.

Data Centers

We have two primary data centers in Somerset, New Jersey and Lehi, Utah, creating redundancy and back up capabilities. In addition, we have data centers located in other states dedicated to certain business units.

Disaster Recovery

We are committed to a framework for business continuity management and carry out annual reviews of the state of preparedness of each business unit. All of our critical databases, systems and contracted customer services are also regularly recovered. We also have documented disaster recovery plans in place for each of our major data centers and each of our solutions. The data center in Somerset, New Jersey is the recovery site for the Lehi, Utah data center and vice versa.

Security

We have adopted a wide range of measures to ensure the security of our IT infrastructure and data. Security measures generally cover the following key areas: physical security, logical security of the perimeter, network security such as firewalls, logical access to the operating systems, deployment of virus detection software, and appropriate policies and procedures relating to removable media such as laptops. All laptops are encrypted, and media leaving our premises and sent to third-party storage facilities are also encrypted. Our commitment to security has earned CyberTrust Security Certification (an industry leader in information security certification) since 2002.

Intellectual Property

We own a significant number of intellectual property rights, including copyrights, trademarks, trade secrets, and patents. Specifically, our policy language, insurance manuals, software, and databases are protected by both registered and common law copyrights and the licensing of those materials to our customers for their use represents a large portion of our revenue. We also own in excess of 500 trademarks in the U.S. and foreign countries, including the names of our products and

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services and our logos and tag lines, many of which are registered. We believe many of our trademarks, trade names, service marks, and logos to be of material importance to our business, as they assist our customers in identifying our products and services and the quality that stands behind them. We consider our intellectual property to be proprietary, and we rely on a combination of statutory (for example, copyright, trademark, trade secret, and patent) and contractual safeguards in a comprehensive intellectual property enforcement program to protect it wherever it is used.

We also own several patents and have several pending patent applications in the U.S. that complement our products. The patents and patent applications include claims, that pertain to technology, including a patent for our Liability Navigator™ product. We believe the protection of our proprietary technology is important to our success and we will continue to seek to protect those intellectual property assets for which we have expended substantial research and development capital and that are material to our business.

To maintain control of our intellectual property, we enter into contractual agreements with our customers, granting each customer permission to use our products and services, including our software and databases. This helps maintain the integrity of our proprietary intellectual property and to protect the embedded information and technology contained in our solutions. As a general practice, employees, contractors and other parties with access to our proprietary information sign agreements that prohibit the unauthorized use or disclosure of our proprietary rights, information and technology.

Employees

As of December 31, 2018, we employed 7,951 full-time and 233 part-time employees. None of our employees are represented by unions. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Our employees include more than 200 actuarial professionals, including 35 Fellows and 39 Associates of the Casualty Actuarial Society as well as 130 Chartered Property Casualty Underwriters, 14 Certified and 17 Associate Insurance Data Managers, and more than 1,000 professionals with advanced degrees, including PhDs in mathematics and statistical modeling who review both the data and the models.

Regulation

Because our business involves the distribution of certain personal, public, and non-public data to businesses and governmental entities that make eligibility, service, and marketing decisions based on such data, certain of our solutions and services are subject to regulation under federal, state, and local laws in the U.S., and to a lesser extent, in foreign countries. Examples of such regulation include the Fair Credit Reporting Act, which regulates the use of consumer credit report information; the Gramm-Leach-Bliley Act, which regulates the use of non public personal financial information held by financial institutions and applies indirectly to companies that provide services to financial institutions; the Drivers Privacy Protection Act, which prohibits the public disclosure, use or resale by any state's department of motor vehicles of personal information about an individual that was obtained by the department in connection with a motor vehicle record, except for a "permissible purpose", and various other federal, state, and local laws and regulations.

Those laws generally restrict the use and disclosure of personal information and provide consumers certain rights to know the manner in which their personal information is being used, to challenge the accuracy of such information and/or to prevent the use and disclosure of such information. In certain instances, the laws also impose requirements for safeguarding personal information through the issuance of data security standards or guidelines. Certain state laws impose similar privacy obligations as well as obligations to provide notification of security breaches in certain circumstances.

We are also licensed as a rating, rate service, advisory, or statistical organization under state insurance codes in all 50 states, Puerto Rico, Guam, the U.S. Virgin Islands, and the District of Columbia. As such an advisory organization, we provide statistical, actuarial, policy language development, and related products and services to P&C insurers, including advisory prospective loss costs, other prospective cost information, manual rules, and policy language. We also serve as an officially designated statistical agent of state insurance regulators to collect policy writing and loss statistics of individual insurers and compile that information into reports used by the regulators.

Many of our products, services and operations as well as insurers' use of our services are subject to state rather than federal regulation by virtue of the McCarran-Ferguson Act. As a result, many of our operations and products are subject to review and/or approval by state regulators. Furthermore, our operations involving licensed advisory organization activities are subject to periodic examinations conducted by state regulators, and our operations and products are subject to state antitrust and trade practice statutes within or outside state insurance codes, which are typically enforced by state attorneys general and/or insurance regulators.

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Available Information

We maintain an Investor Relations website on the Internet at investor.verisk.com. We make available free of charge on or through this website, our annual, quarterly, and current reports and any amendments to those reports as soon as reasonably practicable following the time they are electronically filed with or furnished to the U.S. Securities and Exchange Commission, or SEC. For access to the filings, click the “SEC Filings" link on the “Financial Information” tab on our Investor Relations homepage. The contents of our website are not incorporated into this filing. Verisk trades on the NASDAQ Global Market in the Nasdaq Global Select Market segment under the ticker symbol “VRSK.” Our stock was first publicly traded on October 7, 2009.

The public may read any materials filed by Verisk with the SEC on the SEC's Internet site (www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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Item 1A. Risk Factors

You should carefully consider the following risks and all of the other information set forth in this annual report on Form 10-K before deciding to invest in any of our securities. If any of the following risks actually occurs, our business, financial condition or results of operations would likely suffer. In such case, the trading price of our securities, including our common stock, could decline due to any of these risks, and you may lose all or part of your investment.

We could lose our access to data from external sources, which could prevent us from providing our solutions.

We depend upon data from external sources, including data received from customers and various government, and public record services, for information used in our databases. In general, we do not own the information in these databases, and the participating organizations could discontinue contributing information to the databases. Our data sources could withdraw or increase the price for their data for a variety of reasons, and we could also become subject to legislative, judicial, or contractual restrictions on the use of such data, in particular if such data is not collected by the third parties in a way that allows us to legally use and/or process the data. In addition, some of our customers are significant stockholders of our company. Specifically, a portion of common stock is owned by insurers who are also our customers. If our customers' percentage of ownership of our common stock decreases in the future, there can be no assurance that our customers will continue to provide data to the same extent or on the same terms. If a substantial number of data sources, or certain key sources, were to withdraw or be unable to provide their data, or if we were to lose access to data due to government regulation or if the collection of data became uneconomical, our ability to provide solutions to our customers could be impacted, which could materially adversely affect our business, reputation, financial condition, operating results, and cash flows.

Agreements with our data suppliers are short-term agreements. Some suppliers are also competitors, which may make us vulnerable to unpredictable price increases and may cause some suppliers not to renew certain agreements. Our competitors could also enter into exclusive contracts with our data sources. If our competitors enter into such exclusive contracts, we may be precluded from receiving certain data from these suppliers or restricted in our use of such data, which would give our competitors an advantage. Such a termination or exclusive contracts could have a material adverse effect on our business, financial position, and operating results if we were unable to arrange for substitute data sources.

Fraudulent or unpermitted data access and other cyber-security or privacy breaches may negatively impact our business and harm our reputation.

Security breaches in our facilities, computer networks, and databases may cause harm to our business and reputation and result in a loss of customers. Many of our solutions involve the storage and transmission of proprietary information and sensitive or confidential data. As with other global companies, our systems are regularly subject to cyber-attacks, cyber-threats, physical break-ins, computer viruses, attacks by hackers and similar disruptive problems. As cyber-threats continue to evolve, we are required to expend significant additional resources to continue to modify and enhance our protective measures and to investigate and remediate any information security vulnerabilities and incidents. Despite efforts to ensure the integrity of our systems and implement controls, processes, policies and other protective measures, we may not be able to anticipate or detect all security breaches, nor may we be able to implement guaranteed preventive measures against such security breaches. Cyber-threats are rapidly evolving and we may not be able to anticipate, prevent or detect all such attacks and could be held liable for any security breach or loss. Although we may incur significant costs in protecting against or remediating cyberattacks or other cyber-incidents, no cyber-attack or other cyber-incident has, to our knowledge, had a material adverse effect on our business, financial condition or results of operations to date.

Third-party contractors, including cloud-based service providers, also may experience security breaches involving the storage and transmission of proprietary information. If users gain improper access to our databases, they may be able to steal, publish, delete or modify confidential third-party information that is stored or transmitted on our networks. Our business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks.

In addition, customers', employees' or other's misuse of and/or gaining unpermitted access to or failure to properly secure our information or services could cause harm to our business and reputation and result in loss of customers. Any such misappropriation and/or misuse of or failure to properly secure our information could result in us, among other things, being in breach of certain data protection and related legislation.

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A security or privacy breach may affect us in the following ways:

- deterring customers from using our solutions;
- deterring data suppliers from supplying data to us;
- harming our reputation;
- exposing us to liability;
- increasing operating expenses to correct problems caused by the breach;
- affecting our ability to meet customers’ expectations; and/or
- causing inquiry from governmental authorities.

Incidents in which consumer data has been fraudulently or improperly acquired or viewed, or any other security or privacy breaches, may occur and could go undetected. The number of potentially affected consumers identified by any future incidents is obviously unknown. Any such incident could materially adversely affect our business, reputation, financial condition, operating results and cash flows. In addition, media or other reports of perceived security vulnerabilities to our systems or those of our third-party suppliers, even if no breach has been attempted or occurred, could also adversely impact our reputation and materially impact our business.

We derive a substantial portion of our revenues from U.S. P&C primary insurers. If there is a downturn in the U.S. insurance industry or that industry does not continue to accept our solutions, our revenues will decline.

Revenues derived from solutions we provide to U.S. P&C primary insurers account for a substantial portion of our total revenues. During the year ended December 31, 2018, approximately 47% of our revenue was derived from solutions provided to U.S. P&C primary insurers. Also, invoices for certain of our solutions are linked in part to premiums in the U.S. P&C insurance market, which may rise or fall in any given year due to loss experience and capital capacity and other factors in the insurance industry that are beyond our control. In addition, our revenues will decline if the insurance industry does not continue to accept our solutions.

Factors that might affect the acceptance of these solutions by P&C primary insurers include the following:

- changes in the business analytics industry,
- changes in technology,
- our inability to obtain or use state fee schedule or claims data in our insurance solutions,
- saturation of market demand,
- loss of key customers,
- industry consolidation, and
- failure to execute our customer-focused selling approach.

A downturn in the insurance industry, pricing pressure or lower acceptance of our solutions by the insurance industry could result in a decline in revenues from that industry and have a material adverse effect on our financial condition, results of operations and cash flows.

Acquisitions could result in operating difficulties, dilution and other harmful consequences, and we may not be successful in achieving growth through acquisitions.

Our long-term business strategy includes growth through acquisitions. Future acquisitions may not be completed on acceptable terms and acquired assets, data or businesses may not be successfully integrated into our operations, and we may ultimately divest unsuccessful investments. Any acquisitions or investments will be accompanied by the risks commonly encountered in the acquisitions of businesses. Such risks include, among other things:

- failing to implement or remediate controls, procedures and policies appropriate for a larger public company at acquired companies that prior to the acquisition lacked such controls, procedures and policies,

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- paying more than fair market value for an acquired company or assets,
- failing to integrate the operations and personnel of the acquired businesses in an efficient, timely manner,
- assuming potential liabilities of an acquired company,
- managing the potential disruption to our ongoing business,
- distracting management focus from our core businesses,
- failing to retain management at the acquired company,
- difficulty in acquiring suitable businesses, including challenges in predicting the value an acquisition will ultimately contribute to our business,
- possibility of overpaying for acquisitions, particularly those with significant intangible assets that derive value using novel tools and/or are involved in niche markets,
- impairing relationships with employees, customers, and strategic partners,
- incurring expenses associated with the amortization of intangible assets particularly for intellectual property and other intangible assets,
- incurring expenses associated with an impairment of all or a portion of goodwill and other intangible assets due to changes in market conditions, weak economies in certain competitive markets, or the failure of certain acquisitions to realize expected benefits, and
- diluting the share value and voting power of existing stockholders.

The anticipated benefits of many of our acquisitions may not materialize. Future acquisitions or dispositions could result in the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill and other intangible assets, any of which could harm our financial condition.

We typically fund our acquisitions through our debt facilities. Although we have capacity under committed facilities, those may not be sufficient. Therefore, future acquisitions may require us to obtain additional financing through debt or equity, which may not be available on favorable terms or at all and could result in dilution.

In addition, to the extent we cannot identify or consummate, on terms acceptable to us, acquisitions that are complementary or otherwise attractive to our business, we may experience difficulty in achieving future growth.

There may be consolidation in our end customer market, which could reduce the use of our services.

Mergers or consolidations among our customers could reduce the number of our customers and potential customers. This could adversely affect our revenues even if these events do not reduce the aggregate number of customers or the activities of the consolidated entities. If our customers merge with or are acquired by other entities that are not our customers, or that use fewer of our services, they may discontinue or reduce their use of our services. The adverse effects of consolidation will be greater in sectors that we are particularly dependent upon, for example, in the P&C insurance sector. Any of these developments could materially adversely affect our business, financial condition, operating results, and cash flows.

If we are unable to develop successful new solutions or if we experience defects, failures and delays associated with the introduction of new solutions, our business could suffer serious harm.

Our growth and success depends upon our ability to develop and sell new solutions. If we are unable to develop new solutions, or if we are not successful in introducing and/or obtaining regulatory approval or acceptance for new solutions, or products we develop face sufficient pricing pressure to make them unattractive to pursue, we may not be able to grow our business, or growth may occur more slowly than we anticipate. In addition, significant undetected errors or delays in new solutions may affect market acceptance of our solutions and could harm our business, financial condition or results of operations. In the past, we have experienced delays while developing and introducing new solutions, primarily due to difficulties in developing models, acquiring data and adapting to particular operating environments. Errors or defects in our solutions that are significant, or are perceived to be significant, could result in rejection of our solutions, damage to our reputation, loss of revenues, diversion of development resources, an increase in product liability claims, and increases in service and support costs and warranty claims.

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We will continue to rely upon proprietary technology rights, and if we are unable to protect them, our business could be harmed.

Our success depends, in part, upon our intellectual property rights. To date, we have relied primarily on a combination of copyright, patent, trade secret, and trademark laws and nondisclosure and other contractual restrictions on copying and distribution to protect our proprietary technology. This protection of our proprietary technology is limited, and our proprietary technology could be used by others without our consent. In addition, patents may not be issued with respect to our pending or future patent applications, and our patents may not be upheld as valid or may not prevent the development of competitive products. Businesses we acquire also often involve intellectual property portfolios, which increase the challenges we face in protecting our strategic advantage. Any disclosure, loss, invalidity of, or failure to protect our intellectual property could negatively impact our competitive position, and ultimately, our business. Our protection of our intellectual property rights in the U.S. or abroad may not be adequate and others, including our competitors, may use our proprietary technology without our consent. Furthermore, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could harm our business, financial condition, results of operations, and cash flows.

We could face claims for intellectual property infringement, which if successful could restrict us from using and providing our technologies and solutions to our customers.

There has been substantial litigation and other proceedings, particularly in the U.S., regarding patent and other intellectual property rights in the information technology industry. There is a risk that we are infringing, or may in the future infringe, the intellectual property rights of third parties. We have, from time-to-time, been subject to litigation alleging intellectual property infringement. We monitor third-party patents and patent applications that may be relevant to our technologies and solutions and we carry out freedom to operate analysis where we deem appropriate. However, such monitoring and analysis has not been, and is unlikely in the future to be, comprehensive, and it may not be possible to detect all potentially relevant patents and patent applications. Since the patent application process can take several years to complete, there may be currently pending applications, unknown to us, that may later result in issued patents that cover our products and technologies. As a result, we may infringe existing and future third-party patents of which we are not aware. As we expand our operations there is a higher risk that such activity could infringe the intellectual property rights of third parties.

Third-party intellectual property infringement claims and any resultant litigation against us or our technology partners or providers, could subject us to liability for damages, restrict us from using and providing our technologies and solutions or operating our business generally, or require changes to be made to our technologies and solutions. Even if we prevail, litigation is time consuming and expensive to defend and would result in the diversion of management's time and attention.

If a successful claim of infringement is brought against us and we fail to develop non-infringing technologies and solutions or to obtain licenses on a timely and cost effective basis, this could materially adversely affect our business, reputation, financial condition, operating results, and cash flows.

Regulatory developments could negatively impact our business.

Because personal, public and non-public information is stored in some of our databases, we are vulnerable to government regulation and adverse publicity concerning the use of our data. We provide many types of data and services that already are subject to regulation under the Fair Credit Reporting Act, Gramm-Leach-Bliley Act, Driver's Privacy Protection Act, the European Union's General Data Protection Regulation, the Dodd Frank Wall Street Reform and Consumer Protection Act and to a lesser extent, various other federal, state, and local laws and regulations. These laws and regulations are designed to protect the privacy of the public and to prevent the misuse of personal information in the marketplace. However, many consumer advocates, privacy advocates, and government regulators believe that the existing laws and regulations do not adequately protect privacy. They have become increasingly concerned with the use of personal information, particularly social security numbers, department of motor vehicle data and dates of birth. As a result, they are lobbying for further restrictions on the dissemination or commercial use of personal information to the public and private sectors. Similar initiatives are under way in other countries in which we do business or from which we source data. The Company has implemented various measures to comply with the data privacy and protection principles of the European Union's General Data Protection Regulation, however, there can be no assurances that such methods will be deemed fully compliant. If the Company is unable to comply with the data privacy and protection principles adopted pursuant to the General Data Protection Regulation, it will impede our ability to conduct business between the U.S. and the E.U. which could have a material adverse effect on our business, financial position, results of operations or cash flows.

The following legal and regulatory developments also could have a material adverse effect on our business, financial position, results of operations or cash flows:

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- amendment, enactment, or interpretation of laws and regulations which restrict the access and use of personal information and reduce the supply of data available to customers;
- changes in cultural and consumer attitudes to favor further restrictions on information collection and sharing, which may lead to regulations that prevent full utilization of our solutions;
- failure of our solutions to comply with current laws and regulations; and
- failure of our solutions to adapt to changes in the regulatory environment in an efficient, cost-effective manner.

We typically face a long selling cycle to secure new contracts that require significant resource commitments, which result in a long lead time before we receive revenues from new relationships.

We typically face a long selling cycle to secure a new contract and there is generally a long preparation period in order to commence providing the services. We typically incur significant business development expenses during the selling cycle and we may not succeed in winning a new customer's business, in which case we receive no revenues and may receive no reimbursement for such expenses. Even if we succeed in developing a relationship with a potential new customer, we may not be successful in obtaining contractual commitments after the selling cycle or in maintaining contractual commitments after the implementation cycle, which may have a material adverse effect on our business, results of operations and financial condition.

We may lose key business assets, through the loss of data center capacity or the interruption of telecommunications links, the internet, or power sources, which could significantly impede our ability to do business.

Our operations depend on our ability, as well as that of third-party service providers to whom we have outsourced several critical functions, to protect data centers, whether in cloud or dedicated environments, and related technology against damage from hardware failure, fire, flood, power loss, telecommunications failure, impacts of terrorism, breaches in security (such as the actions of computer hackers), natural disasters, or other disasters. Certain of our facilities are located in areas that could be impacted by coastal flooding, earthquakes or other disasters. The online services we provide are dependent on links to telecommunications providers. In addition, we generate a significant amount of our revenues through telesales centers and websites that we utilize in the acquisition of new customers, fulfillment of solutions and services and responding to customer inquiries. We may not have sufficient redundant operations to cover a loss or failure in all of these areas in a timely manner. Certain of our customer contracts provide that our online servers may not be unavailable for specified periods of time. Any damage to our or our third-party service provider's data centers, failure of our telecommunications links or inability to access these telesales centers or websites could cause interruptions in operations that materially adversely affect our ability to meet customers' requirements, resulting in decreased revenue, operating income and earnings per share.

We are subject to competition in many of the markets in which we operate and we may not be able to compete effectively.

Some markets in which we operate or which we believe may provide growth opportunities for us are highly competitive, and are expected to remain highly competitive. We compete on the basis of quality, customer service, product and service selection, and pricing. Our competitive position in various market segments depends upon the relative strength of competitors in the segment and the resources devoted to competing in that segment. Due to their size, certain competitors may be able to allocate greater resources to a particular market segment than we can. As a result, these competitors may be in a better position to anticipate and respond to changing customer preferences, emerging technologies and market trends. In addition, new competitors and alliances may emerge to take market share away, and as we enter into new lines of business, due to acquisition or otherwise, we face competition from new players with different competitive dynamics. We may be unable to maintain our competitive position in our market segments, especially against larger competitors. We may also invest further to upgrade our systems in order to compete. If we fail to successfully compete, our business, financial position and results of operations may be adversely affected.

To the extent the availability of free or relatively inexpensive information increases, the demand for some of our solutions may decrease.

Public sources of free or relatively inexpensive information have become increasingly available recently, particularly through the Internet, and this trend is expected to continue. Governmental agencies in particular have increased the amount of information to which they provide free public access. Public sources of free or relatively inexpensive information may reduce the demand for our solutions. To the extent that customers choose not to obtain solutions from us and instead rely on information obtained at little or no cost from these public sources, our business and results of operations may be adversely affected.

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Our financial position may be impacted by audit examinations or changes in tax laws or tax rulings.
Our existing corporate structure and tax positions have been implemented in a manner in which we believe is compliant with current prevailing tax laws. However, changes in existing tax laws or rulings, including Federal, State and International, could have a significant impact on our effective tax rate, cash tax positions and deferred tax assets and liabilities. Audit examinations with an adverse outcome could have a negative effect in the jurisdictions in which we operate. Furthermore, the Organization for Economic Co-operation and Development (OECD) released its Base Erosion and Profit Shifting (BEPS) action plans which may also lead to future tax reform that could affect our results. In addition, our tax positions are impacted by fluctuations in our earnings and financial results in the various countries in which we do business.
Our senior leadership team is critical to our continued success and the loss of such personnel could harm our business.
Our future success substantially depends on the continued service and performance of the members of our senior leadership team. These personnel possess business and technical capabilities that are difficult to replace.
However, as a general practice we do not enter into employee contracts with the members of our senior management operating team, except for certain limited situations. If we lose key members of our senior management operating team, we may not be able to effectively manage our current operations or meet ongoing and future business challenges, and this may have a material adverse effect on our business, results of operations and financial condition.
We may fail to attract and retain enough qualified employees to support our operations, which could have an adverse effect on our ability to expand our business and service our customers.
Our business relies on large numbers of skilled employees and our success depends on our ability to attract, train and retain a sufficient number of qualified employees. If our attrition rate increases, our operating efficiency and productivity may decrease. We compete for employees not only with other companies in our industry, but also with companies in other industries, such as software services, engineering services and financial services companies, and there is a limited pool of employees who have the skills and training needed to do our work.
If our business continues to grow, the number of people we will need to hire will increase. We will also need to increase our hiring if we are not able to maintain our attrition rate through our current recruiting and retention policies. Increased competition for employees could have an adverse effect on our ability to expand our business and service our customers, as well as cause us to incur greater personnel expenses and training costs.
We are subject to antitrust, consumer protection and other litigation, and may in the future become further subject to such litigation; an adverse outcome in such litigation could have a material adverse effect on our financial condition, revenues and profitability.
We participate in businesses (particularly insurance-related businesses and services) that are subject to substantial litigation, including antitrust and consumer protection litigation. In addition, our insurance specialists are in the business of providing advice on standard contract terms, which if challenged could expose us to substantial reputational harm and possible liability. We are subject to the provisions of a 1995 settlement agreement in an antitrust lawsuit brought by various state Attorneys General and private plaintiffs, which imposes certain constraints with respect to insurer involvement in our governance and business. We currently are defending against putative class action lawsuits in which it is alleged that certain of our subsidiaries unlawfully have conspired with insurers with respect to their payment of insurance claims. See “Item 3. Legal Proceedings.” Our failure to successfully defend or settle any litigation could result in liability that, to the extent not covered by our insurance, could have a material adverse effect on our financial condition, revenues and profitability. Given the nature of our business, we may be subject to litigation in the future. Even if the direct financial impact of such litigation is not material, settlements or judgments arising out of such litigation could include further restrictions on our ability to conduct business, including potentially the elimination of entire lines of business, which could increase our cost of doing business and limit our prospects for future growth.
General economic, political and market forces and dislocations beyond our control could reduce demand for our solutions and harm our business.
The demand for our solutions may be impacted by domestic and international factors that are beyond our control, including macroeconomic, political and market conditions, the availability of short-term and long-term funding and capital, the level and volatility of interest rates, currency exchange rates, and inflation. Any one or more of these

factors may contribute to reduced activity and prices in the securities markets generally and could result in a reduction in demand for our solutions, which could have an adverse effect on our results of operations and financial condition. A significant additional decline in the value of assets for which risk is transferred in market transactions could have an adverse impact on the demand for our solutions.

We may incur substantial additional indebtedness in connection with future acquisitions.

In order to finance acquisitions, which are an important part of our long term growth strategy, we may incur substantial additional indebtedness and such increased leverage could adversely affect our business. In particular, the increased leverage could increase our vulnerability to sustained, adverse macroeconomic weakness, limit our ability to obtain further financing and limit our ability to pursue other operational and strategic opportunities. The increased leverage, potential lack of access to financing and increased expenses could have a material adverse effect on our financial condition, results of operations and cash flows.

General economic uncertainties, including downward trends in the energy industry, could reduce demand by Wood Mackenzie's customers for its products and services.

Demand for Wood Mackenzie's products and services may be negatively influenced by general economic uncertainties, particularly any downward trends in the energy industry. Many factors could negatively affect the revenues, profits and discretionary spending of Wood Mackenzie's customers. Such factors include commodity prices (in particular, oil and coal), the state of the local economy, interest rates, currency exchange rates, political uncertainty or restrictions and regulations, the availability of industry resources, and other matters. A downturn or perceived downturn in the economy, particularly the energy industry, could add pricing pressure, delay subscription renewals or lead to more challenging or protracted fee negotiations or generally lower acceptance of our solutions by Wood Mackenzie's customers, which could cause a decline in our revenues and have a material adverse effect on our financial condition, results of operations and cash flows.

Our operations are subject to additional risks inherent in international operations.

Wood Mackenzie is based in the United Kingdom, or U.K., and conducts its principal operations outside the U.S. As a result, the percentage of our revenues generated outside of the U.S. has increased materially. Conducting extensive international operations subjects us to risks that are inherent in international operations, including challenges posed by different pricing environments and different forms of competition; lack of familiarity and burdens of complying with foreign laws, legal standards, regulatory requirements, tariffs and other barriers; unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties, or other trade restrictions; differing technology standards; difficulties in collecting accounts receivable; difficulties in managing and staffing international operations; varying expectations as to employee standards; potentially adverse tax consequences, including possible restrictions on the repatriation of earnings; and reduced or varied protection for intellectual property rights in some countries. Moreover, international operations could be interrupted and negatively affected by economic changes, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, and other economic or political uncertainties. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to the increased risk of exchange rate fluctuations.

The revenues and costs of Wood Mackenzie are primarily denominated in pound sterling. As a result of our acquisition of Wood Mackenzie and other recent acquisitions outside of the U.S., we face greater exposure to movements in currency exchange rates, which may cause our revenue and operating results to differ materially from expectations. Our operating results could be negatively affected depending on the amount of revenue and expense denominated in foreign currencies. As exchange rates vary, revenue, cost of revenue, operating expenses, and other operating results, when remeasured in U.S. dollars, may differ materially from expectations. Although we may apply certain strategies to mitigate foreign currency risk, these strategies may not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

Economic and political instability and potential unfavorable changes in laws and regulations resulting from the U.K.'s exit from the E.U. could adversely affect our financial condition, results of operations and cash flows.

The results of the referendum on June 23, 2016 in the U.K., to exit the E.U., which is commonly referred to as "Brexit," and to potentially significantly change the U.K.'s relationship with the E.U. and the laws and regulations impacting business conducted between the U.K. and E.U. countries could disrupt the overall stability of the E.U. given the diverse economic and political circumstances of individual E.U. countries and negatively impact our European operations. An immediate consequence of the Brexit vote was an adverse impact to global markets, including currency markets which experienced a sharp drop in the value of the British pound. Longer term, the ongoing negotiations regarding the future terms of the U.K.'s relationship with the E.U. could result in the U.K. losing access to certain aspects of the single E.U. market and the global trade deals negotiated by the E.U. on behalf of its members. While the U.K. is currently expected to leave the E.U. on

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March 29, 2019, uncertainty remains as to the exact timing and process. The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the E.U. and elsewhere, the impact of which could have an adverse effect our financial condition, results of operations and cash flows.

If there are substantial sales of our common stock, our stock price could decline.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem attractive. As of December 31, 2018, our ten largest shareholders owned 41.2% of our common stock, including 3.9% of our common stock owned by our Employee Stock Ownership Plan or ESOP. Such stockholders are able to sell their common stock in the public market from time to time without registration, and subject to limitations on the timing, amount and method of those sales imposed by securities laws. If any of these stockholders were to sell a large number of their common stock, the market price of our common stock could decline significantly. In addition, the perception in the public markets that sales by them might occur could also adversely affect the market price of our common stock.

Pursuant to our equity incentive plans, options to purchase approximately 6,730,288 shares of common stock were outstanding as of February 15, 2019. We filed a registration statement under the Securities Act, which covers the shares available for issuance under our equity incentive plans (including for such outstanding options) as well as shares held for resale by our existing stockholders that were previously issued under our equity incentive plans. Such further issuance and resale of our common stock could cause the price of our common stock to decline.

Also, in the future, we may issue our securities in connection with investments and acquisitions. The amount of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then outstanding common stock.

Our capital structure, level of indebtedness and the terms of anti-takeover provisions under Delaware law and in our amended and restated certificate of incorporation and bylaws could diminish the value of our common stock and could make a merger, tender offer or proxy contest difficult or could impede an attempt to replace or remove our directors.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable or make it more difficult for stockholders to replace directors even if stockholders consider it beneficial to do so. Our certificate of incorporation and bylaws:

- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares to thwart a takeover attempt,
- prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of the stock to elect some directors,
- require that vacancies on the board of directors, including newly-created directorships, be filled only by a majority vote of directors then in office,
- limit who may call special meetings of stockholders,
- prohibit stockholder action by written consent, requiring all stockholder actions to be taken at a meeting of the stockholders, and
- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may inhibit potential acquisition bids for us. As a public company, we are subject to Section 203, which regulates corporate acquisitions and limits the ability of a holder of 15.0% or more of our stock from acquiring the rest of our stock. Under Delaware law, a corporation may opt out of the anti-takeover provisions, but we do not intend to do so.

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These provisions may prevent a stockholder from receiving the benefit from any premium over the market price of our common stock offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

Our headquarters are in Jersey City, New Jersey. As of December 31, 2018, our principal offices consisted of the following properties:

Location	Square Feet	Lease Expiration Date
Jersey City, New Jersey	352,765	December 31, 2033
Lehi, Utah	200,000	January 31, 2024
Boston, Massachusetts	69,806	November 30, 2020
White Plains, New York	63,461	September 29, 2021
Houston, Texas	56,584	April 30, 2023

We also lease offices in 24 states in the U.S., and offices outside the U.S. to support our international operations in Argentina, Australia, Bahrain, Brazil, Canada, China, Denmark, Germany, India, Indonesia, Ireland, Israel, Japan, Kazakhstan, Malaysia, Mexico, Nepal, New Zealand, Nigeria, Russia, Singapore, South Africa, South Korea, Spain, Thailand, the United Arab Emirates, and the U.K.

We believe that our properties are in good operating condition and adequately serve our current business operations. We also anticipate that suitable additional or alternative space, including those under lease options, will be available at commercially reasonable terms for future expansion.

Item 3. Legal Proceedings

We are party to legal proceedings with respect to a variety of matters in the ordinary course of business, including those matters described below. With respect to the ongoing matters, we are 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 our results of operations, financial position or cash flows. This is primarily because the matters are generally in early stages and discovery has either not commenced or been completed. Although we believe we have strong defenses and intend to vigorously defend these matters, we could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations, financial position or cash flows.

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Xactware Solutions, Inc. Patent Litigation

On October 8, 2015, we were served with a summons and complaint in an action titled Eagle View Technologies, Inc. and Pictometry International Group, Inc. v. Xactware Solutions, Inc. and Verisk Analytics, Inc. filed in the United States District Court for the District of New Jersey. The complaint alleges that our Roof InSight, or now known as Geomni Roof, Property InSight product, or now known as Geomni Property and Aerial Sketch product in combination with our Xactimate product infringe seven patents owned by Eagle View and Pictometry namely, Patent Nos. 8,078,436, or the 436 patent, 8,170,840, or the 840 patent, 8,209,152, or the 152 patent, 8,542,880, or the 880 patent, 8,818,770, or the 770 patent, 8,823,732, or the 732 patent, and 8,825,454, or the 454 patent. On November 30, 2015, plaintiffs filed a First Amended Complaint adding Patent Nos. 9,129,376, or the 376 patent and 9,135,737, or the 737 patent to the lawsuit. The First Amended Complaint seeks an entry of judgment by the Court that defendants have and continue to directly infringe and/or indirectly infringe, including by way of inducement the Patents-in-Suit, permanent injunctive relief, damages, costs and attorney’s fees. On May 19, 2017, the District Court so ordered a Joint Stipulated Order of Partial Dismissal with Prejudice dismissing all claims or assertions pertaining to Pictometry Patents Nos. 880 and 732 and certain asserted claims of the Eagle View Patents Nos. 436, 840, 152, 770, 454, 376 and 737, or collectively the “Patents in Suit”. Eagle View further reduced the number of asserted claims pertaining to the Patents in Suit to 18 asserted claims. Thereafter, Eagle View dropped the 152 patent and further reduced the number of asserted claims from the six remaining Patents in Suit to 11 asserted claims. Fact discovery and expert discovery are now closed and defendants' summary judgment motions were fully submitted on October 26, 2018. On December 6, 2018, the Court denied Eagle View’s motion for summary judgment that a key prior art reference be excluded. On December 20, 2018, the Court denied our motion for summary judgment of equitable estoppel. On January 29, 2019, the Court denied our motion for summary judgment of unpatentability pursuant to Section 101 of the Patent Statute. At this time, it is not reasonably possible to determine the ultimate resolution of, or estimate the liability related to, this matter.

360Value Litigation

On December 10, 2018, we were served with a First Amended Complaint filed in the United States District Court for the Northern District of California titled Sheahan, et al. v. State Farm General Insurance Co., Inc., et al. The action is brought by California homeowners, on their own behalf and on behalf of an unspecified putative class of State Farm policyholders whose homes were damaged or lost during the Northern California wildfires of 2017, against State Farm as well as us, ISO, and Xactware Solutions, Inc. Plaintiffs served a Second Amended Complaint on January 6, 2019. Like the First Amended Complaint, it alleges that defendants through the use of our 360Value product conspired to under-insure plaintiffs’ homes by issuing undervalued policies and underestimating the costs of rebuilding those homes. Plaintiffs claim that defendants violated federal antitrust law as well as California consumer protection law and common law. At this time, it is not reasonably possible to determine the ultimate resolution of, or estimate the liability related to, this matter.

Item 4. Mine Safety Disclosures

Not Applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Verisk trades under the ticker symbol “VRSK” on the NASDAQ Global Select Market. As of February 15, 2019, there were approximately 47 stockholders of record. We believe the number of beneficial owners is substantially greater than the number of record holders, because a large portion of common stock is held in “street name” by brokers.

We have not paid or declared any cash dividends on our common stock during the two most recent fiscal years. We have a publicly announced share repurchase plan and repurchased a total of 57,875,155 shares since our IPO through December 31, 2018. As of December 31, 2018, we had 380,032,628 shares of treasury stock.

Performance Graph

The graph below compares the cumulative total stockholder return on $100 invested in our common stock, with the cumulative total return (assuming reinvestment of dividends) on $100 invested in the S&P 500 Index and an aggregate of peer issuers in the information services industry used in last year's statement, and a new group of aggregate of peer issuers in the information services industry. We have aligned our peer issuers for this performance graph with those used in our proxy statement. In this transition year, the table and the graph below include both the prior and the new indices of peer companies. The prior peer issuers used for this graph are Equifax Inc., Factset Research Systems Inc., IHS Markit, MSCI Inc., Moody’s Corporation, S&P Global, and Nielsen Holdings plc. The new peer issuers used for this graph are Alliance Data Systems Corporation, Equifax Inc., Factset Research Systems Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Gartner, Inc., IHS Markit, Moody’s Corporation, MSCI Inc., Nielsen Holdings plc, S&P Global, and TransUnion.

COMPARISON OF CUMULATIVE TOTAL RETURN

Assumes $100 Invested on December 31, 2013

Assumes Dividend Reinvested

Fiscal Year Ended December 31, 2018

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities by the Company during 2018.

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Issuer Purchases of Equity Securities

Our board of directors has authorized a share repurchase program, or Repurchase Program, since May 2010, of up to $3.3 billion. As of December 31, 2018, $427.6 million remains available for share repurchases. In June and September 2018, we entered into two Accelerated Share Repurchase, or ASR, agreements to repurchase shares of its common stock for an aggregate purchase price of $100.0 million. These ASRs were settled in September and December 2018. In December 2018, we entered into an additional ASR agreement to repurchase shares of its common stock for an aggregate purchase price of $75.0 million. This ASR will be settled in March 2019. Under the Repurchase Program, we may repurchase stock in the market or as otherwise determined by us. These authorizations have no expiration dates and may be suspended or terminated at any time. Since the introduction of share repurchase as a feature of our capital management strategies in 2010, we have repurchased shares with an aggregated value of $2,872.4 million. Our share repurchases for the quarter ended December 31, 2018 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 millions)
October 1, 2018 through October 31, 2018	331,812	$120.55	331,812	$544.0
November 1, 2018 through November 30, 2018	605,500	$121.93	605,500	$470.2
December 1, 2018 through December 31, 2018	371,032	$114.76	371,032	$427.6
	1,308,344		1,308,344	

Item 6. Selected Financial Data

The following selected historical financial data should be read in conjunction with, and are qualified by reference to, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K. The consolidated statement of operations data for the years ended December 31, 2018, 2017, and 2016 and the consolidated balance sheet data as of December 31, 2018 and 2017 are derived from the audited consolidated financial statements included elsewhere in this annual report on Form 10-K. The consolidated statement of operations data for the years ended December 31, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016, 2015, and 2014 are derived from consolidated financial statements that are not included in this annual report on Form 10-K. Results for the year ended December 31, 2018 are not necessarily indicative of results that may be expected in any other future period.

Between January 1, 2014 and December 31, 2018, we acquired 26 businesses (most notably Wood Mackenzie on May 19, 2015), which may affect the comparability of our consolidated financial statements. Our consolidated financial statements have been retroactively adjusted in all periods presented to give recognition to the discontinued operations of our heathcare business and mortgage services business. The following table sets forth our statement of operations for the years ended December 31:

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	2018	2017	2016	2015	2014
	(in millions, except for share and per share data)				
Revenues:					
Insurance	$1,705.9	$1,550.5	$1,419.1	$1,330.6	$1,245.0
Energy and Specialized Markets	513.3	444.7	442.8	308.8	84.9
Financial Services	175.9	150.0	133.3	121.3	101.2
Revenues	2,395.1	2,145.2	1,995.2	1,760.7	1,431.1
Operating expenses:					
Cost of revenues (exclusive of items shown separately below)	886.2	783.8	714.4	612.0	516.0
Selling, general and administrative	378.7	322.8	301.6	278.3	187.3
Depreciation and amortization of fixed assets	165.3	135.6	119.1	96.6	65.4
Amortization of intangible assets	130.8	101.8	92.5	70.4	30.1
Total operating expenses	1,561.0	1,344.0	1,227.6	1,057.3	798.8
Operating income	834.1	801.2	767.6	703.4	632.3
Other income (expense):					
Investment income and others, net	15.3	9.2	6.1	16.9	0.2
Gain on derivative instruments	—	—	—	85.2	—
Interest expense	(129.7)	(119.4)	(120.0)	(121.4)	(70.0)
Total other expense, net	(114.4)	(110.2)	(113.9)	(19.3)	(69.8)
Income before income taxes from continuing operations	719.7	691.0	653.7	684.1	562.5
Provision for income taxes	(121.0)	(135.9)	(202.2)	(196.6)	(208.5)
Income from continuing operations	598.7	555.1	451.5	487.5	354.0
Income from discontinued operations, net of tax (1)	—	—	139.7	20.1	46.0
Net income	$598.7	$555.1	$591.2	$507.6	$400.0
Basic net income per share					
Income from continuing operations	$3.63	$3.36	$2.68	$2.95	$2.14
Income from discontinued operations	—	—	0.83	0.12	0.27
Basic net income per share	$3.63	$3.36	$3.51	$3.07	$2.41
Diluted net income per share					
Income from continuing operations	$3.56	$3.29	$2.64	$2.89	$2.10
Income from discontinued operations	—	—	0.81	0.12	0.27
Diluted net income per share	$3.56	$3.29	$3.45	$3.01	$2.37
Weighted average shares outstanding:					
Basic	164,808,110	165,168,224	168,248,304	165,090,380	165,823,803
Diluted	168,297,836	168,688,868	171,171,572	168,451,343	169,132,423

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The financial operating data below sets forth the information we believe is useful for investors in evaluating our overall financial performance for the years ended December 31:

	2018	2017	2016	2015	2014
	(in millions)				
Other data:					
EBITDA (2):					
Insurance	$932.2	$855.8	$779.2	$762.5	$672.3
Energy and Specialized Markets	154.4	133.6	151.2	162.3	17.9
Financial Services	58.9	58.4	320.9	129.4	168.4
EBITDA	$1,145.5	$1,047.8	$1,251.3	$1,054.2	$858.6
The following is a reconciliation of net income to EBITDA:					
Net income	$598.7	$555.1	$591.2	$507.6	$400.0
Depreciation and amortization of fixed and intangible assets from continuing operations	296.1	237.4	211.6	167.0	95.5
Interest expense from continuing operations	129.7	119.4	120.0	121.4	70.0
Provision for income taxes from continuing operations	121.0	135.9	202.2	196.6	208.5
Depreciation, amortization, interest and provision for income taxes from discontinued operations	—	—	126.3	61.6	84.6
EBITDA	$1,145.5	$1,047.8	$1,251.3	$1,054.2	$858.6

The following table sets forth our consolidated balance sheet data as of the years ended December 31:

	2018	2017	2016	2015	2014
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents	$139.5	$142.3	$135.1	$138.3	$39.3
Total assets	$5,900.3	$6,020.3	$4,631.2	$5,593.7	$2,335.1
Total debt (3)	$2,723.3	$3,008.8	$2,387.0	$3,145.7	$1,426.7
Stockholders' equity	$2,070.6	$1,925.4	$1,332.4	$1,372.0	$211.0

(1) On June 1, 2016 and March 11, 2014, we sold our healthcare business and mortgage services business, respectively. Results of operations for the healthcare and mortgage services businesses are reported as discontinued operations for the year ended December 31, 2016 and for all prior periods presented. As necessary, the amounts have been retroactively adjusted in all periods presented to give recognition to the discontinued operations. See Note 11 of our consolidated financial statements included in this annual report on Form 10-K.

(2) EBITDA is the financial measure that management uses to evaluate the performance of our segments. "EBITDA" is defined as net income before interest expense, provision for income taxes, and depreciation and amortization of fixed and intangible assets. Because EBITDA is calculated from net income, this presentation includes EBITDA from discontinued operations of our healthcare business and mortgage services business. In addition, references to EBITDA margin, which is computed as EBITDA divided by revenues from continuing and discontinued operations. See Note 19 of our consolidated financial statements included in this annual report on Form 10-K.

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 operating income, net income or cash flow from operating activities

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

(3) Includes capital lease obligations and unamortized discount and debt issuance costs.

Item 7. 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 elsewhere in this annual report on Form 10-K, as well as the discussion under "Selected Consolidated Financial Data." 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, including but not limited to those listed under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Verisk is a leading data analytics provider serving customers in insurance, energy and specialized markets, and financial services. Using advanced technologies to collect and analyze billions of records, we draw on unique data assets and deep domain expertise to provide innovations that may be integrated into customer workflows. We offer predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, natural resources intelligence, economic forecasting, and many other fields. In the United States, or U.S., and around the world, we help customers protect people, property, and financial assets. Refer to Item 1. Business for further discussion.

Our customers use our solutions to make better decisions about risk and opportunities 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 customers 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 previously reported results based on two operating segments, Decision Analytics and Risk Assessment. During the first quarter of 2018, the chief operating decision maker, or CODM, changed how he makes operating decisions, assesses the performance of the business, and allocates resources in a manner that caused the Company's operating segments to change. Consequently, effective as of the first quarter of 2018, our operating segments are based on three vertical markets we serve: Insurance, Energy and Specialized Markets, and Financial Services. These three operating segments are also our reportable segments, which have been retroactively recast to reflect the new segments in all periods presented.

Our Insurance segment provides underwriting and ratings, and claims insurance data for the U.S. P&C insurance industry. This segment's revenues represented approximately 71% and 72% of our revenues for the years ended December 31, 2018 and 2017, respectively. Our Energy and Specialized Markets segment provides research and consulting data analytics for the global energy, chemicals, and metals and mining industries. Our Energy and Specialized Markets segment's revenues represented approximately 22% and 21% of our revenues for the years ended December 31, 2018 and 2017, respectively. Our Financial Services segment provides competitive benchmarking, decisioning algorithms, business intelligence, and customized analytic services to financial institutions, payment networks and processors, alternative lenders, regulators and merchants. Our Financial Services segment's revenues represented approximately 7% of our revenues for the years ended December 31, 2018 and 2017.

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Executive Summary

Key Performance Metrics

We believe our business's ability to grow recurring revenue and generate positive cash flow is the key indicator of the successful execution of our business strategy. We use year-over-year revenue and EBITDA growth as metrics to measure our performance. EBITDA and EBITDA margin are non-GAAP financial measures (see Note 2 within Item 6. Selected Financial Data section of Management's Discussion and Analysis of Financial Condition and Results of Operations). The respective GAAP financial measures are net income and net income margin.

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 growth. We use EBITDA growth as a proxy for the cash generated by the business. EBITDA growth serves as a measure of our ability to balance the size of revenue growth with cost management and investing for future growth.

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 agreements for hosted subscriptions, advisory/consulting services, and for transactional solutions, recurring and non-recurring. 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. In general, we experience minimal revenue seasonality within the business.

Approximately 82% and 81% of the revenues in our Insurance segment for the years ended December 31, 2018 and 2017 were derived from hosted subscriptions through agreements (generally one to five years) for our solutions. Our customers in this segment include most of the P&C insurance providers in the U.S. Approximately 78% and 82% of the revenues in our Energy and Specialized Markets segment for the years ended December 31, 2018 and 2017, respectively, were derived from hosted subscriptions with long-term agreements for our solutions. Our customers in this segment include most of the top 10 global energy providers around the world. Approximately 73% and 72% of the revenues in our Financial Services segment for the years ended December 31, 2018 and 2017, respectively, were derived from subscriptions with long-term agreements for our solutions, respectively. Our customers in this segment include financial institutions, payment networks and processors, alternative lenders, regulators, merchants, and all of the top 30 credit card issuers in North America, the United Kingdom, and Australia.

We also provide advisory/consulting services, which help our customers get more value out of our analytics and their subscriptions. In addition, certain of our solutions are paid for by our customers on a transactional basis, recurring and non-recurring. For example, we have solutions that allow our customers to access property-specific rating and underwriting information to price a policy on a commercial building, or compare a P&C insurance or a workers' compensation claim with information in our databases, or use our repair cost estimation solutions on a case-by-case basis. For the years ended December 31, 2018 and 2017, approximately 20% and 19%, respectively, of our revenues were derived from providing transactional and advisory/consulting solutions.

Principal Operating Costs and Expenses

Personnel expenses are a major component of both our cost of revenues and selling, general and administrative expenses. Personnel expenses, which represented approximately 58% and 59% of our total operating expenses for the years ended December 31, 2018 and 2017, respectively, include salaries, benefits, incentive compensation, equity compensation costs, sales commissions, employment taxes, recruiting costs, and outsourced temporary agency costs. We assign 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, are 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. However, part of our corporate strategy is to invest in new solutions and new businesses, which may offset margin expansion.

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 allocated to selling, general and administrative costs based on the nature of the work being performed by the employee. Our selling, general and administrative expenses excludes depreciation and amortization.

Trends Affecting Our Business

We serve customers in three primary vertical markets: P&C insurance, energy and specialized markets, and financial services. The industry trends in each of those markets can affect our business.

A significant change in P&C insurers' profitability could affect the demand for our solutions. For insurers, the keys to profitability include increasing investment income, premium growth and disciplined underwriting of risks. Investment income remains under pressure as a result of low interest rates. Growth in P&C insurers' direct written premiums is cyclical, with total industry premium growth receding from a peak of 14.8% in 2002 to a trough of negative 3.1% in 2009 and subsequently recovering to 4.4% in 2012, 4.3% in 2013, 4.4% in 2014, 3.7% in 2015, 3.7% in 2016 and 4.7% in 2017. In recent years, we have signed multi-year contracts with certain customers, and pricing is fixed at the beginning of each multi-year period; pricing for other customers is still linked to prior years' premiums.

Based on the most recent results available, direct premium growth and net premium growth accelerated in 2018. However, insurers were also challenged by heightened catastrophic losses in 2018 associated with major hurricanes, such as Florence and Michael, and several devastating wildfires in the state of California, coupled with additional losses reported from the three major hurricanes in 2017 - Harvey, Irma, and Maria. These events illustrate the need for broader coverages, such as flood to meet the changing needs of communities. We continue to provide the necessary resources to meet insurer needs.

Trends in catastrophe and non-catastrophe weather losses can have an effect on our customers' profitability, and therefore on their appetite for buying analytics to help them manage their risks. Any increase or decrease in frequency or severity of weather events over time could lead to an increased or decreased demand for our catastrophe modeling, catastrophe loss information, and repair cost solutions. Likewise, any structural changes in the reinsurance and related brokerage industry from the recent influx of alternative capital or newer technologies could affect demand for our products. We also have a portion of our revenue related to the number of claims processed due to losses, which can be impacted by seasonal storm activity. The need by our customers to fight insurance fraud - both in claims and at policy inception - could lead to increased demand for our underwriting and claims solutions.

Trends in the energy, chemicals, and metals and mining sectors and activity in financial markets can influence our revenues. During 2018, the Brent oil price reached a peak of over approximately 80 dollar per barrel before falling under approximately 60 dollar per barrel by year end reflecting an oversupply in the market. The Organization of the Petroleum Exporting Countries, or OPEC, announced a significant cut in production beginning January 1, 2019 to help balance the market. In the upstream sector there are five global trends. First, capital investments have recovered from the cyclical low, the start of spend on a new global phase of significant liquefied natural gas projects adding momentum in 2019. Second, the industry's ongoing progress in reducing costs have been boosted by digitalization initiatives as well as over-capacity in the service sector in many regions, leading to improved economics and more projects reaching a final investment decision. Third, tight oil production in the U.S. lower 48 is still on a strong growth trajectory and remains a focus of global merger and acquisition activity as the industry consolidates. Fourth, resource capture continues to be focused on lower risk opportunities with competitive bidding in 2019 to develop discovered fields in Qatar (gas) and Brazil (oil). Fifth, many countries are reviewing their existing fiscal policies to ensure that they are competitive and attract investment. In the wider energy sector the energy transition is gaining momentum, most evidently in the rapid penetration of renewables into power and the emergence of electric vehicles – the latter set to present a competitive challenge to the internal combustion engine in the coming decades and

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with implications for oil demand in the long term. Petrochemicals is a key growth segment for oil demand, but the disposal of plastics is increasingly in the public eye as a social and environmental concern. New legislation limiting sulphur content in marine fuels comes into effect in 2020 with profound implications for refiners and major fuel consumers, such as airlines. As environmental concerns and the move to decarbonization gather pace, we will continue to evolve our offerings to meet the needs of our customers in a dynamic market and remain increasingly well positioned to serve our customers' information and analytical needs.

Market trends continue to influence our Financial Services segment in important ways. As we look forward towards 2019, increasing fraud and delinquency loss rates worldwide are strengthening demand for robust risk solutions which we are addressing via a range of new fraud solutions, which we have initially launched in Mexico. Additionally, higher levels of regulatory scrutiny as well as greater regulatory alignment worldwide is increasing demand for compliance and reporting tools, which we are tackling via our range of compliance products developed both within our Financial Services segment. In order to better serve our customers, add to our data asset, and expand our expertise, we made a number of acquisitions in the past year, including Marketview, which provides analytical solutions for banks, acquirers, merchants and government in New Zealand. These new businesses offer new solutions for existing and new clients of our core business, and enable us to develop product and cost synergies going forward, and join our existing businesses that we acquired earlier and have integrated during 2018.

Description of Acquisitions

We acquired twenty-two businesses since January 1, 2016. These acquisitions affect the comparability of our consolidated results of operations between periods. See Note 10 to our consolidated financial statements included in this annual report on Form 10-K for further discussions on the below acquisitions.

2018 Acquisitions

On December 14, 2018, we acquired Rulebook, whose proprietary pricing engine can be used for internal pricing and underwriting as well as external distribution for the insurance market through its platform. Rulebook furthers our goal of providing solutions to the global insurance market, including a comprehensive chain of solutions to specialty insurers for mitigating risk and optimizing total cost of operations. Rulebook is part of the underwriting and ratings category within the Insurance segment.

On June 20, 2018, we acquired 100 percent of the stock of Validus-IVC Limited, or Validus, a provider of claims management solutions and developer of the subrogation portal in the UK, verify™. Validus has become part of the claims category within our Insurance segment. The integration of Validus' verify™ platform with our global claims analytic services allows insurers to take advantage of enhanced analytic and technology tools to help improve and automate the claims settlement process.

On February 21, 2018, we acquired 100 percent of the stock of Business Insight Limited, Business Insight, a provider of predictive analytics for insurers in the U.K. and Ireland. Business Insight has become part of the underwriting and ratings category within the Insurance segment. Business Insight offers a comprehensive set of peril models to support underwriting and rating for the commercial property and homeowners insurance market.

On January 5, 2018, we acquired 100 percent of the stock of Marketview Limited, or Marketview. Marketview is a provider of consumer spending analysis and insights across the retail, hospitality, property, and government sectors in New Zealand. Marketview has become part of the Financial Services segment. The acquisition helps expand the our solutions related to consumer spending analytics across the Australasia and Oceania regions by combining its domain expertise and proprietary data assets with those of Marketview.

2017 Acquisitions

On December 29, 2017, we acquired 100 percent of the stock of PowerAdvocate, a provider of market, cost intelligence, and supply chain solutions serving the energy sector. Within our Energy and Specialized Markets segment, PowerAdvocate expands our offerings to the energy sector by adding proprietary spend data and cost models and providing insight into customers' cost savings opportunities.

On December 22, 2017, we acquired the net assets of Service Software, LLC., or Service Software, a provider of business management software for the construction industry. Within our Insurance segment, Service Software expands our offerings to the insurance sector by integrating with the existing loss quantification solutions, which makes it possible for restoration professionals to save time by sharing job information, reducing duplicate data entry, and increasing productivity.

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On November 9, 2017, we acquired 100 percent of the stock of Rebmark Legal Solutions Ltd., or Rebmark, a provider of injury claims solutions, within the Insurance segment. Rebmark’s solutions aid claimant and defendant lawyers, barristers, and claims handlers with the preparation of schedules of loss, which is useful in complex, high-value injury claims where calculations can be time-consuming and there is greater potential for error.
On August 31, 2017, we acquired 100 percent of the stock of LCI, a provider of risk insight, prediction, and management solutions for banks and creditors. LCI has become part of the Financial Services segment. This acquisition brings together our proprietary data assets and LCI's proprietary time-series data, including consumer and commercial bankruptcies, consumer behavior, and legal and technical terms associated with debtor settlements.
On August 23, 2017, we acquired 100 percent of the stock of Sequel, a provider of commercial and specialty insurance and reinsurance software based in the U.K. Sequel has become part of the Insurance segment. The acquisition of Sequel further enhances our comprehensive offerings to the global complex commercial and specialty insurance industry, enabling integrated global data analytics through a specialized end-to-end workflow solution.
On August 3, 2017, we acquired 100 percent of the stock of G2, a provider of merchant risk intelligence solutions for acquirers, commercial banks, and other payment system providers. G2 has become part of the Financial Services segment. The acquisition of G2 positions us to further enhance our offerings to clients and partners, by providing solutions that help fight fraud, transaction laundering, and reputational risk within the global payments and e-commerce ecosystem.
During the three months ended June 30, 2017, we acquired the net assets of the Aerial Imagery acquisitions, a group of similar but unrelated companies, which give us broad geographic coverage of the U.S. for aerial image capture purposes. The Aerial Imagery acquisitions provide multi-spectral aerial photographic services with expertise in offering digital photogrammetric and remote sensing data for mapping and surveying applications. Within our Insurance segment, the Aerial Imagery acquisitions enable us to enhance and maintain its database of images with the required frequency, resolution, and coverage across the U.S. to support our objective as the leading provider of loss quantification data, analytics, and decision-support solutions to the insurance industry, and the photogrammetry, surveying, mapping, and other related markets.
On May 19, 2017, we acquired 100 percent of the stock of MAKE Consulting A/S, or MAKE, a research and advisory business specializing in wind power. MAKE has become part of the Energy and Specialized Markets segment. MAKE enhances our offering to existing customers and forms a market analysis and advisory consortium on renewables and the transformation of the global electricity industry. With detailed coverage of power market fundamentals, solar, wind, energy storage, and grid edge technologies, the Energy and Specialized Markets segment is positioned to bring customers market analysis and insight on the evolution of the energy landscape and provide a comprehensive platform for the future.
On March 31, 2017, we acquired 100 percent of the stock of Fintellix Solutions Private Limited, or Fintellix, a Bangalore-based data solutions company specializing in the development of data management platforms and regulatory reporting solutions for financial institutions. Fintellix has become part of the Financial Services segment. The acquisition of Fintellix positions us to expand the data hosting and regulatory platforms and better address the increasingly complex needs of its customers.
On February 24, 2017, we acquired 100 percent of the stock of Emergent Network Intelligence Limited, or ENI, a developer in insurance claims efficiency and fraud detection solutions based in the U.K.. With the acquisition of ENI within the Insurance segment, our customers in the U.K. can take advantage of technologically advanced tools that allow them to improve motor vehicle claims workflow and reduce their costs and exposure to fraud.
On February 16, 2017, we acquired 100 percent of the stock of Healix International Holdings Limited, or Healix, a software analytics provider in automated medical risk assessment for the travel insurance industry. Healix is within our Insurance segment. The acquisition further expands our offerings for the global insurance industry, providing solutions that are embedded with customer workflows and can help underwrite medical coverage for travelers with greater speed, accuracy, and efficiency.
On January 21, 2017, we acquired 100 percent of the stock of Arium Limited, or Arium. Arium specializes in liability risk modeling and decision support. Arium has become part of the insurance vertical within the Insurance segment, and enables us to provide its customers with additional modeling solutions and analytics for the casualty market.

2016 Acquisitions

On November 23, 2016, we acquired the net assets of IntelliStance, LLC, or MarketStance, a provider of market intelligence data and analytics to the property/casualty insurance market. MarketStance has become part of our Insurance segment. MarketStance has built a proprietary analytics model to provide actionable insights on customer's profitability that enhances our existing offerings.

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On November 11, 2016, we acquired 100 percent of the stock of The GeoInformation Group Limited, or GeoInformation, a provider of geographic data solutions. GeoInformation offers mapping services and geospatial data and analytic solutions to companies and public sector organizations. GeoInformation's resources complement the risk management and predictive analytics capabilities internationally within the Insurance segment.
On October 20, 2016, we acquired 100 percent of the stock of Analyze Re, Inc., or Analyze Re, a software analytics provider for the reinsurance and insurance industries. Analyze Re has become part of our Insurance segment and enables us to provide our customers with additional real-time pricing, exposure management, and enterprise portfolio roll-up capabilities.
On August 19, 2016, we acquired the net assets of data and subscriptions business of Quest Offshore Resources, Inc, or Quest Offshore, which supplies market intelligence to the offshore oil and gas sector. The data and subscriptions business has become part of the Energy and Specialized Markets segment and complements its existing upstream analysis expertise.

On July 26, 2016, we acquired 100 percent of the stock of Greentech Media, Inc., or Greentech Media, an information services provider for the electricity and renewables sector. Greentech Media has become part of the Energy and Specialized Markets segment and enables us to provide our customers with market intelligence across several categories, including solar generation, energy storage, and smart grids that react to changes in supply and demand.

On April 14, 2016, we acquired 100 percent of the stock of Risk Intelligence Ireland Limited, or RII, a provider of fraud detection, compliance, risk control, and process automation services to the Irish insurance industry. RII enhances the ability of our Insurance segment to serve the international insurance market.

Description of Discontinued Operations

On June 1, 2016, we sold our healthcare business, Verisk Health. The purchase price consisted of a cash consideration of $714.6 million, net of closing adjustments of $5.4 million, and proceeds from a promissory note associated with the sale of $100.0 million, that was received in August 2018. Results of operations for the healthcare business are reported as discontinued operations for the year ended December 31, 2016 and for all prior periods presented. See Note 11 to our consolidated financial statements included in this annual report on Form 10-K.
Year Ended December 31, 2018 Compared to Year Ended December 31, 2017
Consolidated Results of Continuing Operations
Revenues
Revenues were $2,395.1 million for the year ended December 31, 2018 compared to $2,145.2 million for the year ended December 31, 2017, an increase of $249.9 million or 11.6%. In 2017 and 2018, we acquired the following companies, Rebmark, Service Software, PowerAdvocate, Marketview, Business Insight, Validus, and Rulebook, collectively referred to as our 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. Excluding revenues of $110.9 million from our recent acquisitions, our revenue growth was $139.0 million or 6.5%. Revenues within our Insurance segment, excluding our recent acquisitions of Rebmark, Service Software, Business Insight, Validus, and Rulebook, increased by $111.3 million or 7.2%. Revenues in our Energy and Specialized Market segment, excluding our recent acquisition of PowerAdvocate, increased by $30.6 million or 6.9%. Revenues in our Financial Services segment, excluding our recent acquisition of Marketview, decreased by $2.9 million or 2.0%. Refer to the Results of Continuing Operations by Segment within this section for further information regarding our revenues.

	2018	2017	Percentage change	Percentage change excluding recent acquisitions

	(in millions)			
Insurance	$1,705.9	$1,550.6	10.0 %	7.2 %
Energy and Specialized Markets	513.3	444.6	15.4 %	6.9 %
Financial Services	175.9	150.0	17.3 %	(2.0)%
Total revenues	$2,395.1	$2,145.2	11.6 %	6.5 %

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Cost of Revenues

Cost of revenues was $886.2 million for the year ended December 31, 2018 compared to $783.8 million for the year ended December 31, 2017, an increase of $102.4 million or 13.1%. Our recent acquisitions accounted for an increase of $55.0 million in cost of revenues, primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased $47.4 million or 6.1%. The increase was primarily due to increases in salaries and employee benefits cost of $30.8 million, data costs and data processing fees of $5.0 million, rent and facilities expenses of $4.8 million, information technology expense of $4.2 million, and other operating costs of $2.6 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SGA, were $378.7 million for the year ended December 31, 2018 compared to $322.8 million for the year ended December 31, 2017, an increase of $55.9 million or 17.3%. Our recent acquisitions accounted for an increase of $30.6 million in SGA, primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, SGA increased $25.3 million or 8.1%. The increase was primarily due to increases in salaries and employee benefits (which include annual salaries increase, medical costs, and long term equity compensation plan costs) of $17.8 million, information technology expense of $3.8 million, professional consulting fees of $2.4 million, and other general and administrative of $1.3 million.

Depreciation and Amortization of Fixed Assets

Depreciation and amortization of fixed assets was $165.3 million for the year ended December 31, 2018 compared to $135.6 million for the year ended December 31, 2017, an increase of $29.7 million or 21.9%. The increase in depreciation and amortization of fixed assets includes depreciation and amortization related to our recent acquisitions of $9.4 million. The remaining increase primarily relates to depreciation and amortization of hardware and software development costs and aircraft equipment placed into production to support data capacity expansion and revenue growth.

Amortization of Intangible Assets

Amortization of intangible assets was $130.8 million for the year ended December 31, 2018 compared to $101.8 million for the year ended December 31, 2017, an increase of $29.0 million or 28.5%. The increase in amortization of intangible assets was primarily due to amortization related to our recent acquisitions of $26.0 million and currency fluctuations impacting amortization denominated in currencies other than U.S. dollars.

Investment Income and Others, Net

Investment income and others, net was a gain of $15.3 million for the year ended December 31, 2018 compared to a gain of $9.2 million for the year ended December 31, 2017. The increase of $6.1 million was primarily due to a realized gain of $12.3 million on the repayment of subordinated promissory note receivable in August 2018, prior to its maturity. This gain was partially offset by a reduction in interest income on the note due to the payoff that occurred in August 2018.

Interest Expense

Interest expense was $129.7 million for the year ended December 31, 2018 compared to $119.4 million for the year ended December 31, 2017, an increase of $10.3 million or 8.6%. The increase was due to our higher average outstanding borrowings for the year ended December 31, 2018 related to the credit facility. These higher average outstanding borrowings in 2018 were primarily associated with the funding of our share repurchase program and the acquisition of PowerAdvocate, which occurred in December of 2017.

Provision for Income Taxes

The provision for income taxes was $121.0 million for the year ended December 31, 2018 compared to $135.9 million for the year ended December 31, 2017, a decrease of $14.9 million or 11.0%. The effective tax rate was 16.8% for the year ended December 31, 2018 compared to 19.7% for the year ended December 31, 2017. The decrease in the effective tax rate in 2018 compared to 2017 was primarily due to the impact of tax reform lowering the U.S. tax rate from 35.0% to 21.0%, as well as the impact of greater tax benefits from equity compensation.

Net Income

The net income margin for our consolidated results was 25.0% for the year ended December 31, 2018 compared to 25.9% for the year ended December 31, 2017.

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EBITDA

The EBITDA margin for our consolidated results was 47.8% for the year ended December 31, 2018 compared to 48.8% for the year ended December 31, 2017. The EBITDA margin for the year ended December 31, 2018 was negatively impacted by the recent acquisitions with slightly lower margins.

Results of Continuing Operations by Segment

Insurance

Revenues

Revenues for our Insurance segment were $1,705.9 million for the year ended December 31, 2018 compared to $1,550.6 million for the year ended December 31, 2017, an increase of $155.3 million or 10.0%. Excluding revenues of $44.0 million from our recent acquisitions of Rebmark, Service Software, Business Insight, Validus, and Rulebook, Insurance revenues increased $111.3 million or 7.2%.

	2018	2017	Percentage change	Percentage change excluding recent acquisitions
	(in millions)			
Underwriting & rating	$1,144.5	$1,046.9	9.3 %	6.6 %
Claims	561.4	503.7	11.5 %	8.5 %
Total Insurance	$1,705.9	$1,550.6	10.0 %	7.2 %

Our underwriting & rating revenue increased $97.6 million or 9.3%; excluding revenues from recent acquisitions of $29.0 million, our underwriting & rating revenue increased $68.6 million or 6.6%, primarily resulted from an increase in prices derived from continued enhancements to the content of the solutions within our industry-standard insurance programs as well as selling expanded solutions to existing customers. In addition, property-specific underwriting solutions and catastrophe modeling services contributed to the growth.

Our claims revenue increased $57.7 million or 11.5%; excluding revenues from recent acquisitions of $15.0 million, our claims revenue increased $42.7 million or 8.5%, primarily due to growth in our repair cost estimating solutions, claims analytics and aerial imagery solutions revenue. The repair costs estimating and aerial imagery-based solutions contributed approximately $16.0 million in revenues related to severe storms for the year ended December 31, 2017, which did not reoccur in 2018.

Cost of Revenues

Cost of revenues for our Insurance segment was $568.1 million for the year ended December 31, 2018 compared to $510.4 million for the year ended December 31, 2017, an increase of $57.7 million or 11.3%. Our recent acquisitions within the Insurance segment represented an increase of $22.0 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased $35.7 million or 7.0%. The increase was primarily due to increases in salaries and employee benefits of $21.3 million, rent and facilities expenses of $4.2 million, data costs and data processing fees of $3.6 million, information technology expense of $3.4 million, and other operating costs of $3.2 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Insurance segment were $218.8 million for the year ended December 31, 2018 compared to $196.1 million for the year ended December 31, 2017, an increase of $22.7 million or 11.6%. Our recent acquisitions within the Insurance segment, accounted for an increase of $10.4 million in SGA, was primarily related to salaries and employee benefits. Excluding costs associated with our recent acquisitions, SGA increased $12.3 million or 6.5%. The increase was primarily due to increases in salaries and employee benefits (which include annual salaries increase, medical costs, and long term equity compensation plan costs) of $8.4 million, information technology expense of $3.0 million, and professional consulting fees of $1.0 million. These increases were offset by a decrease in other general expenses of $0.1 million.

EBITDA

EBITDA for our Insurance segment was $932.2 million for the year ended December 31, 2018 compared to $855.8 million for the year ended December 31, 2017. The EBITDA margin for our Insurance segment was 54.6% for the year ended December 31, 2018 compared to 55.2% for the year ended December 31, 2017. The EBITDA margin for the year ended December 31, 2018 was negatively impacted by the recent acquisitions with slightly lower margins.

Energy and Specialized Markets

Revenues

Revenues for our Energy and Specialized Markets segment were $513.3 million for the year ended December 31, 2018 compared to $444.6 million for the year ended December 31, 2017, an increase of $68.7 million or 15.4%. Excluding revenues of $38.1 million from our recent acquisition of PowerAdvocate, revenues for our Energy and Specialized Markets increased $30.6 million or 6.9% for the year ended December 31, 2018. The increase within this segment primarily resulted from continuing end-market improvements in the energy sector and growth in our environmental health and safety service revenue.

Cost of Revenues

Cost of revenues for our Energy and Specialized Markets segment was $218.2 million for the year ended December 31, 2018 compared to $193.8 million for the year ended December 31, 2017, an increase of $24.4 million or 12.6%. Our recent acquisition within this segment represented an increase of $13.9 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisition, our cost of revenues increased $10.5 million or 5.4%. The increase was primarily due to increases in salaries and employee benefit costs of $7.1 million, rent and facilities expense of $0.5 million, information technology expense of $0.5 million, and other operating costs of $2.5 million. These increases were offset by a decrease in data costs and data processing fees of $0.1 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Energy and Specialized Markets segment were $141.1 million for the year ended December 31, 2018 compared to $114.4 million for the year ended December 31, 2017, an increase of $26.7 million or 23.3%. Our recent acquisition within this segment accounted for an increase of $16.2 million in SGA expenses, which was primarily related to salaries and employee benefits. Excluding costs associated with our recent acquisition, SGA increased $10.5 million or 9.1%. The increase was primarily due to increases in salaries and employee benefit costs of $8.0 million, information technology expenses of $0.8 million, professional consulting costs of $0.2 million and other general expense of $1.5 million.

EBITDA

EBITDA for our Energy and Specialized Markets segment was $154.4 million for the year ended December 31, 2018 compared to $133.6 million for the year ended December 31, 2017. The EBITDA margin for our Energy and Specialized Markets segment was 30.1% for the year ended December 31, 2018 compared to 30.0% for the year ended December 31, 2017.

Financial Services

Revenues

Revenues for our Financial Services segment were $175.9 million for the year ended December 31, 2018 compared to $150.0 million for the year ended December 31, 2017, an increase of $25.9 million or 17.3%. Excluding revenues of $28.8 million from our recent acquisition of Marketview, revenues for our Financial Services decreased $2.9 million or 2.0% for the year ended December 31, 2018. The decrease within this segment resulted from nonrecurring project revenues that occurred during the year ended December 31, 2017 and did not reoccur in 2018, which offset the growth in portfolio management solutions and spend informed analytics revenues.

Cost of Revenues
Cost of revenues for our Financial Services segment was $99.9 million for the year ended December 31, 2018 compared to $79.6 million for the year ended December 31, 2017, an increase of $20.3 million or 25.5%. Our recent acquisition within this segment represented an increase of $19.1 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisition, our cost of revenues increased $1.2 million or 1.6%. The increase was primarily due to increases in salaries and employee benefit costs of $2.4 million, data costs and data processing fees of $1.5 million, information technology expense of $0.3 million, and rent and facilities expense of $0.1 million. These increases were offset by a decrease in other operating costs of $3.1 million.
Selling, General and Administrative Expenses
Selling, general and administrative expenses for our Financial Services segment were $18.8 million for the year ended December 31, 2018 compared to $12.3 million for the year ended December 31, 2017, an increase of $6.5 million or 52.7%. Our recent acquisition within this segment accounted for an increase of $4.0 million in SGA expenses, which was primarily related to salaries and employee benefits. Excluding costs associated with our recent acquisition, SGA increased $2.5 million or 24.7%. The increase was primarily due to increases in salaries and employee benefit costs of $1.4 million, and professional consulting costs of $1.2 million. The increases were offset by a decrease in other general expense of $0.1 million.
EBITDA
EBITDA for our Financial Services segment was $58.9 million for the year ended December 31, 2018 compared to $58.4 million for the year ended December 31, 2017. The EBITDA margin for our Financial Services segment was 33.5% for the year ended December 31, 2018 compared to 39.0% for the year ended December 31, 2017. The decrease in EBITDA margin was primarily due to an acquisition contingent payment of $3.5 million related to the Fintellix acquisition that negatively impacted our margin for the year ended December 31, 2018.
Year Ended December 31, 2017 Compared to Year Ended December 31, 2016
Consolidated Results of Continuing Operations
Revenues

Revenues were $2,145.2 million for the year ended December 31, 2017 compared to $1,995.2 million for the year ended December 31, 2016, an increase of $150.0 million or 7.5%. Excluding revenues of $61.3 million from RII, Greentech Media, Quest Offshore, Analyze Re, GeoInformation, MarketStance, Arium, Healix, ENI, Fintellix, MAKE, Aerial Imagery acquisitions, G2, Sequel, LCI, Rebmark, and Service Software, collectively referred to as our 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, our revenue growth was $88.7 million or 4.5%. Revenues within our Insurance segment, excluding our recent acquisitions of RII, Analyze Re, GeoInformation, MarketStance, Arium, Healix, ENI, Aerial Imagery, Sequel, Rebmark, and Service Software, increased by $102.3 million or 7.2%. Revenues in our Energy and Specialized Markets segment, excluding our recent acquisitions of Greentech Media, Quest Offshore, and MAKE, decreased by $9.5 million or 2.2%. Revenues in our Financial Services segment, excluding our recent acquisitions of Fintellix, G2, and LCI, decreased by $4.1 million or 3.0%. Refer to the Results of Continuing Operations by Segment within this section for further information regarding our revenues.

	2017	2016	Percentage change	Percentage change excluding recent acquisitions
	(in millions)			
Insurance	$1,550.6	$1,419.1	9.3 %	7.2 %
Energy and Specialized Markets	444.6	442.8	0.4 %	(2.2)%
Financial Services	150.0	133.3	12.5 %	(3.0)%

Total revenues	$2,145.2	$1,995.2	7.5 %	4.5 %

Cost of Revenues

Cost of revenues was $783.8 million for the year ended December 31, 2017 compared to $714.4 million for the year ended December 31, 2016, an increase of $69.4 million or 9.7%. Our recent acquisitions accounted for an increase of $45.3

million in cost of revenues, primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased $24.1 million or 3.4%. The increase was primarily due to increases in salaries and employee benefits cost of $30.7 million, data costs and data processing fees of $6.1 million, information technology expense of $1.7 million and other operating costs of $0.1 million. These increases were offset by a decrease in a nonrecurring ESOP charge of $14.5 million, which occurred in 2016. The ESOP charge was related to the stretch-out of our ESOP loan, which was paid off in 2015.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SGA, were $322.8 million for the year ended December 31, 2017 compared to $301.6 million for the year ended December 31, 2016, an increase of $21.2 million or 7.0%. Our recent acquisitions accounted for an increase of $13.7 million in SGA, primarily related to salaries and employee benefits, and transaction costs. Excluding the impact of our recent acquisitions, SGA increased $7.5 million or 2.5%. The increase was primarily due to increases in salaries and employee benefits of $8.8 million, professional consulting fees of $4.0 million and other general and administrative of $0.2 million. These increases were offset by a decrease in information technology expense of $1.2 million and a 2016 ESOP charge of $4.3 million.

Depreciation and Amortization of Fixed Assets

Depreciation and amortization of fixed assets was $135.6 million for the year ended December 31, 2017 compared to$119.1 million for the year ended December 31, 2016, an increase of $16.5 million or 13.8%. The increase in depreciation and amortization of fixed assets includes depreciation and amortization related to our recent acquisitions of $3.8 million. The remaining increase primarily relates to depreciation and amortization of hardware and software development costs placed into production to support data capacity expansion and revenue growth.

Amortization of Intangible Assets

Amortization of intangible assets was $101.8 million for the year ended December 31, 2017 compared to $92.5 million for the year ended December 31, 2016, an increase of $9.3 million or 10.1%. The increase in amortization of intangible assets was primarily related to our recent acquisitions of $13.5 million offset by currency fluctuations impacting amortization denominated in currencies other than U.S. dollars.

Investment Income and Others, Net

Investment income and others, net was a gain of $9.2 million for the year ended December 31, 2017 compared to $6.1 million for the year ended December 31, 2016, an increase of $3.1 million. The increase was primarily related to an increase in interest income of $5.1 million generated from the subordinated promissory note associated with the divestiture of our healthcare business. This increase was offset by a gain on sale of equity investments of $1.5 million in 2016.

Interest Expense

Interest expense was $119.4 million for the year ended December 31, 2017 compared to $120.0 million for the year ended December 31, 2016, a decrease of $0.6 million or 0.5%, as a result of the Second Amendment to the Credit Facility in May 2016, which reduced the borrowing capacity from $1,750.0 million to $1,500.0 million.

Provision for Income Taxes

The provision for income taxes was $135.9 million for the year ended December 31, 2017 compared to $202.2 million for the year ended December 31, 2016, a decrease of $66.3 million or 32.8%. The effective tax rate was 19.7% for the year ended December 31, 2017 compared to 30.9% for the year ended December 31, 2016. The decrease in the effective tax rate in 2017 compared to 2016 was primarily due to lowered federal income tax rates as a result of U.S. Tax Reform and the adoption of ASU No. 2016-09, partially offset by legislation enacted in the U.K.

Net Income

The net income margin for our consolidated results, including discontinued operations, was 25.9% for the year ended December 31, 2017 compared to 28.1% for the year ended December 31, 2016. Our net income margin for the year ended December 31, 2017 was positively impacted by the 2017 tax reform legislation of 4.2%. Our net income margin for the year ended December 31, 2016 was positively impacted by the discontinued operations, including the gain on sale of our healthcare business of 5.5% and lowered by an ESOP charge of 0.6%.

EBITDA

The EBITDA margin for our consolidated results, including discontinued operations, was 48.8% for the year ended December 31, 2017 compared to 59.4% for the year ended December 31, 2016. Our EBITDA margin for the year ended December 31, 2016 was positively impacted by the discontinued operations, including the gain on sale of our healthcare business, of 10.0%, which was partially offset by the impact from an ESOP charge of 0.9%.

Results of Continuing Operations by Segment

Insurance

Revenues

Revenues for our Insurance segment were $1,550.6 million for the year ended December 31, 2017 compared to $1,419.1 million for the year ended December 31, 2016, an increase of $131.5 million or 9.3%. Excluding revenues of $29.2 million from our recent acquisitions of RII, GeoInformation, MarketStance, Analyze Re, Arium, Healix, ENI, Aerial Imagery acquisitions, Sequel, Rebmark, and Service Software, Insurance revenues increased $102.3 million or 7.2%.

	2017	2016	Percentage change		Percentage change excluding recent acquisitions	
	(in millions)					
Underwriting & rating	$1,046.9	$970.5	7.9	%	5.6	%
Claims	503.7	448.6	12.3	%	10.6	%
Total Insurance	$1,550.6	$1,419.1	9.3	%	7.2	%

Our underwriting & rating revenue increased $76.4 million or 7.9%; excluding revenues from recent acquisitions of $21.6 million, our underwriting & rating revenue increased $54.8 million or 5.6%, primarily resulted from an increase in prices derived from continued enhancements to the content of the solutions within our industry-standard insurance programs as well as selling expanded solutions to existing customers. In addition, catastrophe modeling services contributed to the growth.

Our claims revenue increased $55.1 million or 12.3%; excluding revenues from recent acquisitions of $7.6 million, our claims revenue increased $47.5 million or 10.6%, primarily due to growth in our repair cost estimating solutions, claims analytics and aerial imagery solutions revenue. The severe storm-related repair costs estimating and aerial imagery-based solutions contributed approximately $16.0 million for the year ended December 31, 2017, which did not exist in 2016.

Cost of Revenues

Cost of revenues for our Insurance segment was $510.4 million for the year ended December 31, 2017 compared to $469.6 million for the year ended December 31, 2016, an increase of $40.8 million or 8.7%. Our recent acquisitions within the Insurance segment represented an increase of $24.6 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased $16.2 million or 3.5%. The increase was primarily due to increases in salaries and employee benefits of $22.7 million, data costs and data processing fees of $6.3 million, and information technology expense of $1.9 million. These increases were offset by decreases in an ESOP charge of $14.5 million that occurred in 2016 and other operating costs of $0.2 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Insurance segment were $196.1 million for the year ended December 31, 2017 compared to $178.1 million for the year ended December 31, 2016, an increase of $18.0 million or 10.1%. Our recent acquisitions within the Insurance segment, accounted for an increase of $7.4 million in SGA, was primarily related to salaries and employee benefits, and transaction costs. Excluding costs associated with our recent acquisitions, SGA increased $10.6 million or 6.0%. The increase was primarily due to increases in salaries and employee benefits of $10.6 million, professional consulting fees of $3.6 million, and information technology expense of $0.7 million. These increases were offset by a decrease in an ESOP charge of $4.3 million that occurred in 2016.

EBITDA

EBITDA for our Insurance segment was $855.8 million for the year ended December 31, 2017 compared to $779.2 million for the year ended December 31, 2016. The EBITDA margin was 55.2% for the year ended December 31, 2017 and 54.9% for the year ended December 31, 2016. The margin for the year ended December 31, 2016 was negatively impacted by an ESOP charge of 1.3%.

Energy and Specialized Markets

Revenues

Revenues for our Energy and Specialized Markets were $444.6 million for the year ended December 31, 2017 compared to $442.8 million for the year ended December 31, 2016, an increase of $1.8 million or 0.4%. Excluding revenues of $11.3 million from our recent acquisitions of Greentech Media, Quest Offshore, and MAKE, our Energy and Specialized Markets revenue decreased $9.5 million or 2.2% due to the continuing end-market and currency tailwinds affecting the energy business and declines in our environmental health and safety services.

Cost of Revenues

Cost of revenues for our Energy and Specialized Markets segment was $193.8 million for the year ended December 31, 2017 compared to $177.1 million for the year ended December 31, 2016, an increase of $16.7 million or 9.4%. Our recent acquisitions within this segment represented an increase of $7.2 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues increased $9.5 million or 5.4%. The increase was primarily due to increases in salaries and employee benefit costs of $9.1 million, information technology expense of $0.2 million, and other operating costs of $0.2 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Energy and Specialized Markets segment were $114.4 million for the year ended December 31, 2017 compared to $113.4 million for the year ended December 31, 2016, an increase of $1.0 million or 0.9%. Our recent acquisitions within this segment accounted for an increase of $2.6 million in SGA expenses, which was primarily related to salaries and employee benefits and transaction costs. Excluding costs associated with our recent acquisitions, SGA decreased $1.6 million or 1.4%. The decrease was primarily due to decreases in information technology expenses of $1.7 million and professional consulting costs of $0.6 million. These decreases were offset by increases in salaries and employee benefit costs of $0.4 million and other general expense of $0.3 million.

EBITDA

EBITDA for our Energy and Specialized Markets segment was $133.6 million for the year ended December 31, 2017 compared to $151.2 million for the year ended December 31, 2016. The EBITDA margin was 30.0% for the year ended December 31, 2017 compared to 34.2% for the year ended December 31, 2016. The decrease in margin for the year ended December 31, 2017 was primarily due to the impact of movements in the U.S. dollar relative to British pounds.

Financial Services

Revenues

Revenues for our Financial Services were $150.0 million for the year ended December 31, 2017 compared to $133.3 million for the year ended December 31, 2016, an increase of $16.7 million or 12.5%. Excluding revenues of $20.8 million from our recent acquisitions of Fintellix, G2, and LCI, our financial services revenue decreased $4.1 million or 3.0%. The decrease was primarily due to several contract completions in 2016 partially offset by growth in media effectiveness solutions.

Cost of Revenues

Cost of revenues for our Financial Services segment was $79.6 million for the year ended December 31, 2017 compared to $67.7 million for the year ended December 31, 2016, an increase of $11.9 million or 17.7%. Our recent acquisitions within this segment represented an increase of $13.5 million in cost of revenues, which was primarily related to salaries and employee benefits. Excluding the impact of our recent acquisitions, our cost of revenues decreased $1.6 million or 2.2%. The decrease was primarily due to decreases in salaries and employee benefit costs of $1.1 million, information technology expense of $0.4 million, and data costs and data processing fees of $0.2 million. These decreases were offset by an increase in other operating costs of $0.1 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Financial Services segment were $12.3 million for the year ended December 31, 2017 compared to $10.1 million for the year ended December 31, 2016, an increase of $2.2 million or 21.8%. Our recent acquisitions within this segment accounted for an increase of $3.7 million in SGA expenses, which was primarily related to salaries and employee benefits and transaction costs. Excluding costs associated with our recent acquisitions, SGA decreased $1.5 million or 14.8%. The decrease was primarily due to decreases in salaries and employee benefit costs of $2.2 million and information technology expenses of $0.2 million, and other general expense of $0.1 million. These decreases were offset by an increase in professional consulting costs of $1.0 million.

EBITDA

EBITDA for our Financial Services segment was $58.4 million for the year ended December 31, 2017 compared to $320.9 million for the year ended December 31, 2016. The EBITDA margin was 39.0% for the year ended December 31, 2017 and for the year ended December 31, 2016, including our discontinued operations, the EBITDA margin was 240.7%. Our EBITDA margin for the year ended December 31, 2016 was primarily impacted by discontinued operations, including the gain on sale of our healthcare business, of 199.5%.

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Quarterly Results of Operations

The following table sets forth our quarterly unaudited consolidated statement of operations data for each of the eight quarters in the period ended December 31, 2018. In management's opinion, the quarterly data has been prepared on the same basis as the audited consolidated financial statements included in this annual report on Form 10-K, and reflects all necessary adjustments for a fair presentation of this data. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

	For the Quarters Ended				
	March 31,	June 30,	September 30,	December 31,	Full Year
	2018				2018
	(in millions, except for per share data)				
Statement of operations data:					
Revenues	$581.2	$601.3	$598.7	$613.9	$2,395.1
Operating income	$194.5	$212.3	$211.1	$216.2	$834.1
Net income	$133.0	$153.5	$166.0	$146.2	$598.7
Basic net income per share	$0.81	$0.93	$1.01	$0.89	$3.63
Diluted net income per share	$0.79	$0.91	$0.99	$0.87	$3.56

	For the Quarters Ended				
	March 31,	June 30,	September 30,	December 31,	Full Year
	2017				2017
	(in millions, except for per share data)				
Statement of operations data:					
Revenues	$502.6	$523.2	$549.1	$570.3	$2,145.2
Operating income	$187.7	$195.0	$208.4	$210.1	$801.2
Net income	$108.8	$121.0	$120.7	$204.6	$555.1
Basic net income per share	$0.65	$0.73	$0.73	$1.24	$3.36
Diluted net income per share	$0.64	$0.72	$0.72	$1.22	$3.29

Liquidity and Capital Resources

As of December 31, 2018 and 2017, we had cash and cash equivalents and available-for-sale securities of $142.8 million and $146.1 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 (deferred revenues). 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 consolidated capital expenditures as a percentage of consolidated revenues for the years ended December 31, 2018 and 2017, were 9.6% and 8.6%, respectively. 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.”

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We have also historically used a portion of our cash for repurchases of our common stock from our stockholders. For the years ended December 31, 2018, 2017 and 2016, we repurchased $438.6 million, $276.3 million and $326.8 million, respectively, of our common stock.

Financing and Financing Capacity

We had total debt, excluding capital lease obligations, unamortized discounts and debt issuance costs of $2,715.0 million and $3,015.0 million at December 31, 2018 and 2017, respectively. The debt at December 31, 2018 primarily consists of senior notes issued in 2015, 2012 and 2011 and borrowings outstanding under our committed senior unsecured Syndicated Revolving Credit Facility, or the Credit Facility, described below. Interest on the senior notes is payable semi-annually each year. The unamortized discount and debt issuance costs were recorded as "Long-term debt" in the accompanying consolidated balance sheets, and will be amortized to "Interest expense" in the accompanying consolidated statements of operations within this Form 10-K over the life of the respective senior note. The indenture governing the senior notes restricts our 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. As of December 31, 2018, we had senior notes with an aggregate principal amount of $2,300.0 million outstanding, and we were in compliance with our financial debt covenants. In January 2019, we repaid a total of $250.0 million of the $2,300.0 million outstanding borrowings at December 31, 2018 under the senior notes.

We have a credit facility with a borrowing capacity of $1,500.0 million with Bank of America N.A., JP Morgan Chase, N.A., Sun Trust Bank, Wells Fargo Bank, N.A., Citizens Bank, N.A., Morgan Stanley, N.A., HSBC Bank USA, N.A., Royal Bank of Canada, BNP Paribas, TD Bank, N.A., and The Northern Trust Company. On May 18, 2017, we entered into the third amendment to the Credit Facility, which, among other things, extended the maturity date one year to May 15, 2022. The Credit Facility may be used for general corporate purposes, including working capital needs and capital expenditures, acquisitions and the share repurchase program, or the Repurchase Program. The Credit Facility contains certain 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, during any period of four fiscal quarters, a consolidated funded debt leverage ratio of 3.5 to 1.0. We were in compliance with all financial covenants under the Credit Facility as of December 31, 2018. Interest on borrowings under the Credit Facility is payable at an interest rate of LIBOR plus 1.125% to 1.625%, depending upon the consolidated funded debt leverage ratio. During the year ended December 31, 2018, we had borrowings of $325.0 million and repayments of $625.0 million under the Credit Facility. As of December 31, 2018 and 2017, we had outstanding borrowings under the Credit Facility of $415.0 million and $715.0 million, respectively. Subsequent to December 31, 2018, we had borrowings of $275.0 million under the Credit Facility, which were primarily utilized to pay down the $250.0 million of senior notes due on January 15, 2019. In addition, we subsequently repaid a total of $175.0 million of the $415.0 million outstanding borrowings at December 31, 2018 under the Credit Facility.

Cash Flow

The following table summarizes our cash flow data for the years ended December 31:

	2018	2017	2016
	(in millions)		
Net cash provided by operating activities	$934.4	$743.5	$577.5
Net cash (used in) provided by investing activities	$(265.4)	$(1,105.5)	$493.2
Net cash (used in) provided by financing activities	$(669.8)	$362.5	$(1,064.2)

Operating Activities

Net cash provided by operating activities increased to $934.4 million for the year ended December 31, 2018 compared to $743.5 million for the year ended December 31, 2017. The increase of $190.9 million in net cash provided by operating activities was primarily due to an increase in cash receipts from customers driven by an increase in revenues and operating profit, as well as a reduction in tax payments primarily due to the impact of tax reform lowering the U.S. tax rate from 35.0% to 21.0% and the impact of greater tax benefits from equity compensation in the current year versus the prior year.

Net cash provided by operating activities increased to $743.5 million for the year ended December 31, 2017 compared to $577.5 million for the year ended December 31, 2016. The increase of $166.0 million in net cash provided by operating

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activities was primarily due to an increase in cash receipts from customers driven by an increase in revenues and operating profit. Our net cash provided by operating activities for the year ended December 31, 2016 also included a $99.9 million tax payment related to the gain on the sale of our healthcare business and a one-time cash funding of our ESOP plan of $18.8 million. These operating cash expenditures in 2016 did not occur in 2017.

Investing Activities

Net cash used in investing activities of $265.4 million for the year ended December 31, 2018 was primarily related to capital expenditures of $231.0 million and acquisitions of $153.1 million including escrow funding, partially offset by proceeds from the repayment of the subordinated promissory note receivable of $121.4 million.

Net cash used in investing activities of $1,105.5 million for the year ended December 31, 2017 was primarily related to acquisitions, including escrow funding, of $914.9 million and capital expenditures of $183.5 million.

Net cash provided by investing activities of $493.2 million for the year ended December 31, 2016 was primarily related to proceeds from the sale our healthcare business of $714.6 million, partially offset by capital expenditures of $156.5 million and acquisitions including escrow payments of $74.1 million.

Financing Activities

Net cash used in financing activities of $669.8 million for the year ended December 31, 2018 was primarily related to share repurchases of $438.6 million, net debt repayments of $300.0 million of borrowings under our Credit Facility, partially offset by proceeds from stock option exercises and other option-related items of $83.6 million.

Net cash provided by financing activities of $362.5 million for the year ended December 31, 2017 was primarily related to $615.0 million of borrowings, net under our Credit Facilities and proceeds from stock option exercises, net of net share settlement of taxes from restricted stock, of $32.1 million, partially offset by share repurchases of $276.3 million.

Net cash used in financing activities of $1,064.2 million for the year ended December 31, 2016 was primarily related to a $770.0 million repayments of borrowings under our Credit Facilities and share repurchases of $326.8 million, partially offset by proceeds from stock option exercises and other option-related items of $38.0 million.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2018 and the future periods in which such obligations are expected to be settled in cash:

	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
	(in millions)				
Contractual obligations					
Long-term debt, current portion of long-term debt and interest	$3,572.6	$762.2	$624.2	$470.6	$1,715.6
Operating leases	339.8	46.0	83.5	62.7	147.6
Pension and postretirement plans (1)	29.7	2.6	4.3	3.9	18.9
Capital lease obligations	29.2	8.3	18.1	2.8	—
Other long-term liabilities (2)	0.9	0.3	0.1	0.1	0.4
Total (3)	$3,972.2	$819.4	$730.2	$540.1	$1,882.5

(1) Our funding policy is to contribute at least equal to the minimum legal funding requirement.

(2) Other long-term liabilities consist of our employee-related deferred compensation plan. We also have a deferred compensation plan for our Board of Directors; however, based on past performance and the uncertainty of the dollar amounts to be paid, if any, we have excluded such amounts from the above table.

(3) Unrecognized tax benefits of approximately $17.4 million have been recorded as liabilities in accordance with ASC 740, which have been omitted from the table above, and we are uncertain as to if or when such amounts may be settled, with the exception of those amounts subject to a statute of limitation. Related to the unrecognized tax benefits, we also have recorded a liability for potential penalties and interest of $5.7 million.

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Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations are based on our 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.

Revenue Recognition

We recognize revenue based on the transfer of promised goods or services to customers for the amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue is recognized in a five-step model: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when or as the company satisfies a performance obligation. Revenues for hosted subscription services are recognized ratably over the subscription term. Revenues from certain discrete project based advisory/consulting services are recognized over time by measuring the progress toward complete satisfaction of the performance obligation, based on the input method of consulting hours worked; this aligns with the results achieved and value transferred to the customer. Revenues from transactional solutions are recognized as the solutions are delivered or services performed at point in time.

We invoice our customers in annual, quarterly, or monthly installments. Amounts billed and collected in advance are recorded as deferred revenues on the balance sheet and are recognized as the services are performed and revenue recognition criteria are met.

Stock-Based Compensation

Stock-based compensation cost, including stock options, restricted stock, and performance share units, or PSUs, is measured at the grant date, based on the fair value of the awards granted, and is recognized as expense over the requisite service period. The fair value of stock options is measured using a Black-Scholes option-pricing model, which requires the use of several estimates, including expected term, expected risk-free interest rate, expected volatility, and expected dividend yield. The fair value of the restricted stock is determined using the closing price of the Company's common stock on the grant date. The fair value of PSUs is determined on the grant date using the Monte Carlo Simulation model.

Option grants and restricted stock awards are generally expensed ratably over the four-year vesting period. PSUs are generally expensed ratably over the three-year vesting period. We follow the substantive vesting period approach for awards granted after January 1, 2005, which requires that stock-based compensation expense be recognized over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service.

We estimate expected forfeitures of equity awards at the date of grant and recognize compensation expense only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate.

Goodwill and Intangibles

Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of the businesses acquired. Goodwill and intangible assets deemed to have indefinite lives are not amortized. Intangible assets determined to have definite lives are amortized over their useful lives. 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, using the guidance and criteria described in the accounting standard for Goodwill and Other Intangible Assets. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value.

As of December 31, 2018, we had goodwill of $3,361.5 million, which represents 57.0% of our total assets. During 2018, we performed an impairment test as of June 30, 2018 and confirmed that no impairment charge was necessary. There are many assumptions and estimates used that directly impact the results of impairment testing, including an estimate of future expected revenues, earnings and cash flows, useful lives and discount rates applied to such expected cash flows in order to

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estimate fair value. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose for determining the fair value of our reporting units. To mitigate undue influence, we set criteria and benchmarks that are reviewed and approved by various levels of management and reviewed by other independent parties. The determination of whether or not goodwill or indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions and estimates underlying the approach used to determine the value of our reporting units. Changes in our strategy or market conditions could significantly impact these judgments and require an impairment to be recorded to intangible assets and goodwill. There have been no goodwill impairment indicators subsequent to the impairment test performed as of June 30, 2018. For the year ended December 31, 2018, there were no impairment indicators related to our intangible assets.

We allocate the fair value of the purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. The estimates used in valuing the intangible assets are determined with the assistance of third party specialists, a discounted cash flow analysis and estimates made by management. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Income Taxes

In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses. The calculation of our tax liabilities also involves dealing with uncertainties in the application and evolution of complex tax laws and regulations in other jurisdictions.

We account for uncertain tax positions in accordance with Accounting for Uncertainty in Income Taxes — an interpretation of ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this interpretation, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position.

We recognize and adjust our liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

On December 22, 2017 the Tax Cuts and Job Act ("Tax Act") was enacted. The Tax Act included a number of changes to U.S. tax laws, most notably a reduction in the U.S. corporate tax rate from 35.0% to 21.0%. As a result of the corporate tax rate reduction, the Company recognized a tax benefit in 2017 of $89.1 million due to the re-measurement of its deferred tax assets and liabilities. In accordance with Staff Accounting Bulletin (SAB) No. 118, the Company completed the analysis of the impacts of the 2017 Tax Act in the fourth quarter of 2018, resulting in an incremental charge of $1.0 million as income tax expense to reflect the final remeasurement of deferred tax assets and liabilities of $88.1 million.

We estimate unrecognized tax positions of $0.9 million that may be recognized by December 31, 2019, due to expiration of statutes of limitations and resolution of audits with taxing authorities, net of additional uncertain tax positions.

As of December 31, 2018, we have gross federal, state, and foreign income tax net operating loss carryforwards of $186.5 million, which will expire at various dates from 2019 through 2038. Such net operating loss carryforwards expire as follows:

Years	(In millions)
2019-2026	$ 15.9
2027-2031	7.1
2032-2038	163.5
Total	$ 186.5

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The net deferred income tax liability of $339.5 million consists primarily of timing differences involving depreciation and amortization.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 2(s) to the audited consolidated financial statements included elsewhere in this annual report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk from fluctuations in interest rates. At December 31, 2018, we had borrowings outstanding under our credit facility of $415.0 million, which bear interest at variable rates based on LIBOR plus 1.125% to 1.625%depending on certain ratios defined in the credit agreement. A change in interest rates on variable rate debt impacts our pre-tax income and cash flows, but does not impact the fair value of the instruments. Based on our overall interest rate exposure at December 31, 2018, a one percent change in interest rate would result in a change in annual pre-tax interest expense of approximately $4.2 million based on our current borrowing levels.

Foreign Currency Risk

Our foreign-based businesses and results of operations are exposed to movements in the U.S. dollar to British pounds and other foreign currency exchange rates. A portion of our revenue is denominated in British pounds and other foreign currencies. If the U.S. dollar strengthens against British pounds and other foreign currencies, our revenues reported in U.S. dollars would decline. With regard to operating expense, our primary exposure to foreign currency exchange risk relates to operating expense incurred in British pounds and other foreign currencies. If British pounds and other foreign currencies strengthen, costs reported in U.S. dollars will increase. Movements in the U.S. dollar to British pounds and other foreign currency exchange rates did not have a material effect on our revenue for the year ended December 31, 2018. A hypothetical ten percent change in average exchange rates versus the U.S. dollar would not have resulted in a material change to our earnings.

Item 8. Consolidated Financial Statements and Supplementary Data

The information required by this Item is set forth on pages 52 through 104 of this annual report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We are required to 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 at the reasonable assurance level.

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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 annual report on Form 10-K for the Company and our subsidiaries other than our recent acquisitions in 2018 (See Note 10 of our consolidated financial statements included in this annual report on Form 10-K). Management excluded from its assessment the internal control over financial reporting of these acquisitions and collectively represents approximately 0.4% of total assets (excluding goodwill and intangible assets which were integrated into the Company's systems and control environment) and 0.5% of revenues as of and for the year ended December 31, 2018. Based upon the foregoing assessments, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Management’s Report on Internal Control over Financial Reporting as of December 31, 2018 is set forth in Item 8. Consolidated Financial Statement and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm

The Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting as of December 31, 2018 is set forth in Item 8. Consolidated Financial Statement and Supplementary Data.

Changes in Internal Control over Financial Reporting

We are in the process of integrating our recent acquisitions in 2018 into our overall internal control over financial reporting process. Other than this ongoing integration, there have been no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control that occurred during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be furnished by this Item 10. is incorporated herein by reference to our Notice of Annual Meeting of Stockholders and Proxy Statement to be filed within 120 days of December 31, 2018 (the “Proxy Statement”).

Item 11. Executive Compensation

The information required to be furnished by this Item 11. is incorporated herein by reference to our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required to be furnished by this Item 12. is incorporated herein by reference to our Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required to be furnished by this Item 13. is incorporated herein by reference to our Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required to be furnished by this Item 14. is incorporated herein by reference to our Proxy Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) The following documents are filed as part of this report.

(1) Financial Statements. See Index to Financial Statements and Schedules in Part II, Item 8. on this Form 10-K.

(2) Financial Statement Schedule. See Schedule II. Valuation and Qualifying Accounts and Reserves.

(3) Exhibits. See Index to Exhibits in this annual report on Form 10-K.

Item 16. Form 10-K Summary

None.

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Item 8. Consolidated Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Schedule

Verisk Analytics, Inc. Consolidated Financial Statements as of December 31, 2018 and 2017 and for the Years Ended December 31, 2018, 2017 and 2016.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Based on this assessment, management concluded that our internal control over financial reporting was effective at December 31, 2018.

Management excluded from its assessment the internal control over financial reporting for our acquisitions in 2018 (See Note 10. of our consolidated financial statements included in this annual report on Form 10-K). The excluded financial statements of these acquisitions constitute approximately 0.4% of total assets (excluding goodwill and intangible assets which were integrated into the Company's systems and control environment) and 0.5% of revenues collectively included within our consolidated financial statements as of and for the year ended December 31, 2018. Due to the timing of the acquisitions, management did not assess the effectiveness of internal control over financial reporting for these acquisitions.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this annual report on Form 10-K has also audited the effectiveness of our internal control over financial reporting as of December 31, 2018, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Verisk Analytics, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Verisk Analytics, Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018, of the Company and our report dated February 19, 2019, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Controls over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Marketview Limited, which was acquired on January 5, 2018, Business Insight Limited, which was acquired on February 21, 2018, Validus-IVC Limited, which was acquired on June 20, 2018, and Rulebook, which was acquired on December 14, 2018 (collectively the “2018 acquired businesses”). The financial statements of the 2018 acquired businesses constitute 0.4% of total assets (excluding goodwill and intangible assets which were integrated into the Company's systems and control environment) and 0.5% of revenues collectively of the consolidated financial statement amounts as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at the 2018 acquired businesses.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 19, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Verisk Analytics, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Verisk Analytics, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 19, 2019

We have served as the Company's auditor since 2001.

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VERISK ANALYTICS, INC
CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017

	2018	2017
	(in millions, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 139.5	$ 142.3
Accounts receivable, net	356.4	345.5
Prepaid expenses	63.9	38.1
Income taxes receivable	34.0	28.8
Other current assets	50.7	42.9
Total current assets	644.5	597.6
Noncurrent assets:		
Fixed assets, net	555.9	478.3
Intangible assets, net	1,227.8	1,345.3
Goodwill	3,361.5	3,368.7
Deferred income tax assets	11.1	15.9
Other assets	99.5	214.5
Total assets	$ 5,900.3	$ 6,020.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 263.5	$ 225.4
Short-term debt and current portion of long-term debt	672.8	724.4
Deferred revenues	383.1	384.7
Income taxes payable	5.2	3.1
Total current liabilities	1,324.6	1,337.6
Noncurrent liabilities:		
Long-term debt	2,050.5	2,284.4
Deferred income tax liabilities	350.6	337.8
Other liabilities	104.0	135.1
Total liabilities	3,829.7	4,094.9
Commitments and contingencies		
Stockholders' equity:		
Verisk common stock, $.001 par value; 2,000,000,000 shares authorized; 544,003,038 shares issued and 163,970,410 and 164,878,930 shares outstanding, respectively	0.1	0.1
Additional paid-in capital	2,283.0	2,180.1
Treasury stock, at cost, 380,032,628 and 379,124,108 shares, respectively	(3,563.2)	(3,150.5)
Retained earnings	3,942.6	3,308.0
Accumulated other comprehensive losses	(591.9)	(412.3)
Total stockholders' equity	2,070.6	1,925.4
Total liabilities and stockholders' equity	$ 5,900.3	$ 6,020.3

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

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VERISK ANALYTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For The Years Ended December 31, 2018, 2017 and 2016

	2018	2017	2016
	(in millions, except for share and per share data)		
Revenues	$2,395.1	$2,145.2	$1,995.2
Operating expenses:			
Cost of revenues (exclusive of items shown separately below)	886.2	783.8	714.4
Selling, general and administrative	378.7	322.8	301.6
Depreciation and amortization of fixed assets	165.3	135.6	119.1
Amortization of intangible assets	130.8	101.8	92.5
Total operating expenses	1,561.0	1,344.0	1,227.6
Operating income	834.1	801.2	767.6
Other income (expense):			
Investment income and others, net	15.3	9.2	6.1
Interest expense	(129.7)	(119.4)	(120.0)
Total other expense, net	(114.4)	(110.2)	(113.9)
Income before income taxes	719.7	691.0	653.7
Provision for income taxes	(121.0)	(135.9)	(202.2)
Income from continuing operations	598.7	555.1	451.5
Discontinued operations:			
Income from discontinued operations (Note 11)	—	—	253.0
Provision for income taxes from discontinued operations	—	—	(113.3)
Income from discontinued operations	—	—	139.7
Net income	$598.7	$555.1	$591.2
Basic net income per share:			
Income from continuing operations	$3.63	$3.36	$2.68
Income from discontinued operations	—	—	0.83
Basic net income per share	$3.63	$3.36	$3.51
Diluted net income per share:			
Income from continuing operations	$3.56	$3.29	$2.64
Income from discontinued operations	—	—	0.81
Diluted net income per share	$3.56	$3.29	$3.45
Weighted average shares outstanding:			
Basic	164,808,110	165,168,224	168,248,304
Diluted	168,297,836	168,688,868	171,171,572

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

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VERISK ANALYTICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Years Ended December 31, 2018, 2017 and 2016

	2018	2017	2016
	(in millions)		
Net income	$598.7	$555.1	$591.2
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(154.1)	227.0	(395.6)
Unrealized holding gain on available-for-sale securities	—	0.4	0.3
Pension and postretirement adjustment	(24.8)	11.1	(13.5)
Total other comprehensive (loss) income	(178.9)	238.5	(408.8)
Comprehensive income	$419.8	$793.6	$182.4

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

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VERISK ANALYTICS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For The Years Ended December 31, 2018, 2017 and 2016

	Common Stock Issued	Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Losses	Total Stockholders' Equity
	(in millions, except for share data)						
Balance, January 1, 2016	544,003,038	$ 0.1	$ 2,023.4	$ (2,571.2)	$ 2,161.7	$ (242.0)	$ 1,372.0
Net income	—	—	—	—	591.2	—	591.2
Other comprehensive loss	—	—	—	—	—	(408.8)	(408.8)
Treasury stock acquired (4,325,548 shares)	—	—	—	(333.3)	—	—	(333.3)
KSOP shares earned (181,198 shares reissued from treasury stock)	—	—	13.2	1.3	—	—	14.5
Stock options exercised, including tax benefit of $22.1 (1,409,803 shares reissued from treasury stock)	—	—	56.2	10.2	—		