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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission File Number: 001-34480

VERISK ANALYTICS, INC.

(Exact name of registrant as specified in its charter)

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

(201) 469-2000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

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

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

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Item 1. Financial Statements

VERISK ANALYTICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

As of March 31, 2012 and December 31, 2011

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

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

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

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

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VERISK ANALYTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

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

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

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

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VERISK ANALYTCS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For The Three Months Ended March 31, 2012 and 2011

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

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

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VERISK ANALYTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT (UNAUDITED)

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

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

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

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VERISK ANALYTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For The Three Months Ended March 31, 2012 and 2011

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

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

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

VERISK ANALYTICS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization:

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

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

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

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

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

Recent Accounting Pronouncement

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

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3. Investments:

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

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

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

4. Fair Value Measurements:

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

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

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

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

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

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

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

5. Goodwill and Intangible Assets:

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

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

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

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

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

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

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

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

6. Acquisitions:

2012 Acquisitions

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

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

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

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

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

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

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

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

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

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

2011 Acquisitions

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

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

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

Acquisition Escrows

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

7. Income Taxes:

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

8. Debt:

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

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

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

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

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

9. Stockholders Deficit:

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

Share Repurchase Program

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

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

Earnings Per Share (EPS)

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

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

	2012	2011
Numerator used in basic and diluted EPS:		
Net income	$	