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Verisk Analytics, Inc. (VRSK)

Investor Day

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MANAGEMENT DISCUSSION SECTION

David E. Cohen

Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

Good morning. We're going to go ahead and get started as we have an exciting and full day. I'm David Cohen, Verisk's Head of Investor Relations. Thank you everyone for coming.

Everyone's favorite part of the day. Please note the disclaimer on the screens on the webcast. Some statements today may relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in various periodic reports filed with the SEC.

As many of you know in past Investor Days, we focused on describing what makes our solutions distinctive and how our solutions serve our customers. This year, we will cover that, but we're also focusing on answering the two questions, which you have told us are top of mind. One, what gives Verisk's management team confidence in an intermediate term organic revenue growth expectation of 7% to 8%. And two, how effective has Verisk been at deploying capital on your behalf.

To answer these questions, our business unit leaders will describe some of our initiatives that we expect to help drive top line organic revenue growth. You'll hear about our insurance-facing business from Mark Anquillare, Neil Spector, Bill Churney, Rich Della Rocca, Mike Fulton and Jeff Taylor. The insurance business is growing globally into new insurance markets through ancillary solutions extending our existing products and in emerging areas of importance to our customers. You will also hear from Neal Anderson, WoodMac's President, who will highlight the building momentum at WoodMac and where we are taking the business over the next three to five years. Neal has been at WoodMac for almost 20 years and has been President since the acquisition. Neal has taken over day-to-day operations at WoodMac from Steve Halliday, who continues to serve as Chairman of all our resource-oriented businesses.

Finally, you will hear from Nana Banerjee, who will discuss our financial services business, covering the growth opportunities in banking and media effect business as well as some of the newer things we're doing both organically and from recent acquisitions. After a break to get a box lunch, Verisk's CEO, Scott Stephenson will discuss the moated nature of our businesses and how we have effectively deployed capital on behalf of shareholders.

A few quick administrative notes. We have solution demonstration kiosks outside the presentation room representing all three of our primary verticals: insurance, natural resources and financial services. We think the demos will help you better visualize and conceptualize the value we provide to our customers. The kiosks will be opened throughout the day and for about 45 minutes after we conclude this afternoon. For those of you who need Wi-Fi access, the SSID is Convene Conference Centers and the password is meetings, that's plural, all lower case. We have also made a PDF version of today's slides available in the Investor Relations section of the Verisk website.

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Finally, you will find at your seat, a survey asking for your feedback on Investor Day. Please take a few minutes to complete the survey and drop it off in the back of the room before you leave. We take your input seriously and we've tried to make adjustments to our Investor Day so it's most useful to you.

On a couple of quick personal notes, Scott is going to be introducing Lee Shavel, our new CFO. I've had the opportunity to get to know Lee over the past few weeks. He's off to a great start. I think you're all going to find him to be a very effective, investor-friendly CFO. Also, I'd like to express my gratitude to my colleagues who made this year's Investor Day possible. In addition to the presenters in the kiosk demo-ers, there is a tremendous amount of behind the scenes work by our teams and our business units, our corporate marketing group and then our financial teams. To all of you listening and in the room, thank you.

So with that, welcome again to everyone. And I'd like to turn it over to Scott Stephenson, Verisk's CEO.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thank you, David. Good morning, everybody. Thank you for coming. We really appreciate this opportunity to be with you today and to talk about Verisk, to share with your enthusiasm for the company. We're very excited about where we sit. We're very excited about our growth opportunities. As David said, our expectation over the next five-year period is on average we will see our company grow in upper-single digits with respect to organic revenue and we will have our EPS advance at a double-digit rate. And we want to explain to you why that is today and hopefully you'll get a sense of the breadth of the company, the range of solutions that we've got and we'll go through that in a couple of ways.

One is, we'll talk about the business and its parts. If any of you are newer to our story, one of the things that I would really call out for you is that we believe very strongly in the vertical nature of our company. We believe that that – while there are a lot of companies in the world that provide data analytics to businesses, one of the things that is really distinctive is to be vertically oriented, because in that mode we believe two really important things happen, one is customer intimacy, because we really understand the nature of our customers' emerging data analytics needs. And secondly, proprietary content grows up. We have underneath all three of the verticals that we occupy datasets that are not available to anybody else and those datasets help power our solutions and enable us to bring a differentiated level of value to our customers. And we also think as I'll explain a little bit later today that not only does it differentiate us in the marketplace, but also that there is an enduring form of value associated with these assets that we've got.

There's an interesting discussion we could have about the enduring power of content and there are some people in the world who would like to assert that well, you know, content becomes more commoditized in a hyperconnected world, in a machine learn world. We absolutely think that that's wrong. And the primary reason we think that that's wrong is that we work with companies, the same companies that are [ph] our customers (06:49) are also the source of our most proprietary data assets and companies are not like our 13-year olds.

Companies are very aware of the value of their data and will not permit it to be used in ways other than the ways that they say are the correct and proper uses. Your 13-year old will trade any data and all privacy for the next app for access to the network what have you. In the 17 years I've been at Verisk, actually I have found sort of incrementally at least most business leaders in the verticals that we serve have become even more careful with their data. Having said all of that, the data assets that we have access to are not at risk, will not be at risk and in fact, we have found ways to amplify our datasets working with our customers.

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So, I just want to – again, for those of you particularly that are newer to the story, there's a very vertical dimension to our business because that is where a lot of the proprietary intellectual property grows up. And so we're going to start by talking about the business in the verticals, as David mentioned. Then what I like to do is come back around and sort of put each or all of that in the context of the way that we think about the company's strategy. And as David said, I intend to focus particularly on capital allocation. This has been an interesting year for us. You've seen that we've deployed a lot of capital this year. This year, it happens to be in the form of M&A and just a comment about that. We have done four acquisitions this year, each of which had a value of greater than a $100 million.

And one of the things about taking a strategic approach to M&A is that you don't always get to determine the exact timing of what's going to happen. Of the four that we purchased this year, one we had been in pursuit out for six years and another we had been in pursuit out for three years, and it just happened to be the case that they finally – the owners became convinced that now is the time to sell. So, we were pleased to see these opportunities come our way.

But what we'd like to do in some detail is actually take you through our record capital allocation and the return characteristics of that capital allocation. We think it's a strong track record and sort of the bottom line is what we're doing today, what we have done in 2017 is exactly consistent with what we did – we're actually going to stretch the timeframe all the way back to 2002. In 2017, we were using the same criteria, thinking in the same way, as we were back in 2002, when we acquired AIR for example. So it's a very unbroken and continuous kind of an approach and we really look forward to taking you through that a little bit.

So that's kind of where we're headed but before we get into a discussion of the verticals and the solutions and the customers, et cetera, we did want to have Lee come up for just a couple of minutes and introduce himself. When we became aware that Lee might be available to come join us at Verisk, we got really, really excited because he is somebody that's been known to us and I'm sure known to several of you as well, had a fantastic track record at Nasdaq and we're always looking to strengthen our team at Verisk. And so when it became clear that Lee was available, we jumped at the opportunity and as David said, it's been only 10 days or so but already Lee is making substantial contribution.

So, we just wanted to open the day with Lee having an opportunity to introduce himself for just a couple of minutes and then we'll dive into the businesses. So Lee, if you would.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

So, good morning, everyone, and thank you for that – the kind introduction, Scott. I'm going to be very brief today for very good reason and that's with only about 10 days on the job, I am probably the least qualified person in the room to be answering questions about Verisk. So, recognizing that, I do want to say a couple of things.

First, I want to thank, Scott. I want to thank the board and the management team for giving me this opportunity to work with you. Truly, it's a great company and I'm really honored to have the chance to build on the success that Verisk has achieved and the great work that Eva and the finance team have done to bringing the company to this point.

And when I left Nasdaq to join the ITG board, it was a great opportunity for me to develop experience at the board level, to chair an Audit Committee and add that perspective to my skill set. In addition, I did some consulting for some private equity firms and some operating companies. And while that was interesting, it wasn't as gratifying to me as the work that I have done at the board level and the work that I have done as a CFO in terms of being

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engaged in a business. And it was – consequently, the conclusion that I came to is that if the right opportunity came along with a great company with really an interesting management team that I'd be excited to work with and an opportunity where I felt I could add value then that would be something that I would consider. And in short, Verisk checked all of those boxes for me and then some.

I'm sure those of you in the room that are familiar with the company would agree that there are truly compelling products, there are fantastic relationships and they are really good businesses and there are a lot of businesses and a lot of products, but the common theme of the contributory data, the common theme of serving clients and utilizing technology in an industry that really needs those services is a particularly exciting place to be. As I think our datasets continue to expand and the demand for sophisticated and skilled analytics products grows, I just can't imagine a better or more exciting place to be than Verisk.

When I was meeting with the management team in the process and getting to know them, one thing that struck me was how intellectually curious they were to an individual and how interested they were in finding ways to make the company better. So that's very exciting to me to have the opportunity to work with that type of energy and drive and we spent a lot of time talking about where I can be most helpful to them in moving the organization forward.

Hopefully, some of you are familiar with what I accomplished at Nasdaq. If you do, you will know that capital management is very important to me and where I believe a good CFO can really complement a strong operating team by providing the perspective and guidance on capital allocation driven by an investor's perspective on where the best returns are.

I can tell you, Scott is very engaged on this topic. You're going to hear about this later today, as he described. And I'm really looking forward to working with Scott and my colleagues in developing that dimension of Verisk's performance. That of course won't be my only focus. I will also be looking at a wide range of opportunities to improve the financial performance from both a revenue and from a cost standpoint, so I think there are always a lot of opportunities to find areas to improve.

And finally, I want to emphasize that I've always solicited and valued perspective from investors and analysts. You can easily validate this by talking to investors that I've worked with at Nasdaq, analysts that I've worked with. Alex Kramm is in the room here, I'm sure he will certainly testify to that. And I really value perspectives on the business. I think it's important to have that input. I may not always agree with you, but I always want to understand how you're thinking about these issues and how we can do a better job to create value at Verisk.

So, I look forward to meeting all of you in our ongoing conversation. I'm very excited to be here. I hope that you're excited to be here. I can assure you no one is more excited than my wife, to have me out of the house. She was needless to say not as excited about return on capital analysis of our household expenses, as I was. And so, it will be, I think good for everybody.

So I will ask you to hold questions until we get to the Q&A session. We'll be very much looking forward to addressing as many of those as I can at this stage. So thank you very much.

David E. Cohen

Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

Thanks, Lee. So we're going to get started to talk about the businesses, our largest end market is up first. So, I'd like to welcome Mark Anquillare, our Chief Operating Officer and leader of our insurance businesses. He's going to be speaking about global growth opportunities.

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Mark V. Anquillare

Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

Well, good morning. Thank you for being here. Good crowd and a lot of good things to talk about. Over the course of this morning what we're going to try to do is focusing on the items that we think are going to drive growth from insurance perspective. So, I'll kick off and talk a little bit about international and where we're heading towards and where we're finding great opportunity. Before I do that, let me just provide a little bit of a context setting.

Across all of our insurance-facing businesses, our vision, our goal is really be the preferred partner to those customers. We want to help them become more excellent, we want to help them become more profitable and with the data insights we have. So that theme has really resonated both inside of Verisk as well as with our customers. I think we've been highly successful. We've been able to get a lot more meetings which is one thing, but we've been much more engaged. It's not about selling products, it's about helping them fill the gap, fill the need and those sessions are wide reaching, they are broader and they're higher up in the organization.

Just last week, we had literally the entire executive team of a large insurer talking about very creative long thinking, I'll call it knowledge and kind of thought provoking ways to kind of use new analytic techniques to change their business both from an underwriting and from a claims' perspective.

So, when you think about Verisk Insurance Solutions, we have a suite of solutions that kind of carry across the entire life cycle of the policy. So from an ISO perspective, we have both personal lines and commercial lines led by Neil Spector. We're focused on how you would underwrite, how you would price, how you would think about a risk in an asset. From a claims perspective, you'll hear from both Rich Della Rocca, when you fight fraud, the biggest problem in the insurance space, as you think about $35 billion of loss each year, how can we help them. Pay meritorious claims quicker, but fight that fraud problem. And Mike Fulton who kind of leads Xactware, and the tools that we have, widespread 90%, 95% of the U.S. and Canada, understanding and helping them [indiscernible] (18:17) cost estimates in all property claims.

Continuing around the cycle and circle here, AIR, extreme event models, what we're trying to do is extend beyond what a traditional cat models to do things beyond what has historically been property and Bill Churney will describe that. Our newest member Sequel, we'll spend a little time on kind of the great solutions, and how they are really a beachhead into what is a very influential and very unique London insurance market, and how that kind of extends us beyond into other global markets.

Geomni, a lot of interesting technology, a lot of wonderful computer vision to help our customers not just insurance, but across all our verticals to better understand the risks, understand the claims and really change their business. And then around the outside, I want to spend a few seconds. We have some wonderful business units and we're typically a vertically-focused business, as Scott described, because we need to understand the problems, we have experts to help solve those problems that they understand so well. Around the outside, we have some sales capabilities, we have some marketing capabilities, so think about national accounts. We have a team that kind of is the quarterback across big accounts that are trying to understand what those customers need, how they are going to interact with them, and they're working very closely with the sales teams that are inside the business units. Wonderfully, deep teams that have some great customer relationships and include some telesales, some subject matter experts and the combination of those sale groups have been highly effective. We have taken a lot of share from a lot of our competitors, and we continue to cross-sell and up-sell very effectively.

Other thing I'll highlight, which I'll talk a little bit later is we've organized our sales teams for all customer facing global operations into one group under global business development. So now our teams have the opportunity to

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go to a region or a country, and we have a sales team in place to sell and bring that product to market. It has helped us become more global.

So let me jump and turn to insurance and the opportunity we have from a global perspective. Quick executive summary. One, we've made some noteworthy progress over the last five years, I'm going to share that with you. We have also done a lot of acquisitions, but don't get overly focused on the acquisitions, because this has been in march that combines organic product development, bringing things that we have here in the United States outside, trying to localize it, as well as combining with some acquisitions.

We have this global team, which is organized to help us succeed. And I mentioned Sequel, we'll talk a little bit about how that fits in, how it's part of the puzzle, and how it helps us become more global. And the tuck-in acquisitions that you'll see have extended us in those different regions. But what it also does is it provides a capability that we think we can bring back to the United States and increase and improve our solutions.

So in summary, I think we're very well positioned besides the noteworthy gains we've made over the course of last five years. As we look forward, I think we're very optimistic.

So let me give you a perspective from – I'll refer to it as the markets out here. This is in terms of gross written premium or direct written premium. In the grid that you see in front of you, on the Y-axis, you see loss ratio. That's about our customers' profitability, how can we help you become more profitable one. Right? So loss ratios, to the extent that you have those lower, you make more money. Right? And then across the bottom on the X, we're looking at the size of the premium, we're looking at the growth of that premium, and we have some characteristics that we think are positive as it relates to our solutions.

Things like do they share data, are the markets similar to the U.S., do they operate in similar means. And what we can quickly highlight here, obviously, the U.S. is a very big market, but there are some unique characteristics that we think of the UK, Germany and France, big markets, big opportunities and we've kind of put a box around some of those attractive markets. At the same time, on left hand side, probably smaller by nature, but growing rather quickly, you'll notice like India, Brazil, Mexico.

So we have an approach in which we're trying to move with kind of speed and with focus, but a strategic way across different geographies. We're also keeping track of some of these fast growing emerging places. Second thing I want to highlight is, as we look forward, here at least in the United States, we have some great solutions both across personal and commercial lines, but we probably have more and maybe greater barriers to entries on the commercial line side.

We have some really unique data sets. We do some really unique things. And as we look forward, probably into 10 years and more, the line around personal auto, solutions around personal auto probably in the industry will be smaller as opposed to larger. So our focus is it's probably more commercial to begin with we think global. And what you see here is the good news is that outside the United States the rest of the world is probably 1.75 times larger than the U.S. It's a big infertile playground for us. And on the right-hand side, you can see some of the countries where commercial lines are most prominent.

What I'll do next is kind of take and drill into commercial lines. So, the big categories of personal and commercial lines is really around property and casualty. So, this is a look at specialty commercial lines. These are complex risks, big opportunities, and it usually takes a unique underwriting expertise. The overall size of the circle represents the overall premium in commercial specialty lines. The darker slice of pie represents the reinsurance.

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And you can see broad and big categories of commercial specialty across the world. In green, I've highlighted how important and how large the London market is in relation to the UK.

Remember insurance in it's kind of infancy started in a coffee house or tea house in London, and most of the world's global insurance markets run through Lloyds, and run through the UK. So, it kind of creates a gateway for opportunity. So, the focus on the UK is important as you think about global opportunities.

One other slide to help context, two things. One, if you take a look at the slide, London growth, again, on the Y-axis, you'll notice that casualty and property growing more in London, and that's in relation to the overall growth. And the darker dot in the middle of lighter blue represents the size of London. So again, it's about casualty in absolute terms. It's about property. Neil is going to be up here in a moment. He's going to talk about our efforts and our focus on global property, helping global property underwriters.

But casualty represents a big category for us. Couple other things around TAM. So now, we're going to move from insurance to providers of solutions to those insurers. And what we've tried to highlight here is the TAM is significant, about $2 billion to the extent you think about non-USA. From a software perspective, that's a broad category. It represents kind of the back office, workflow solutions around policy and [ph] managing (26:06) claims. It also represents things like Xactware if you think about claims handling, even probably to a lesser extent some of the AIR solutions because it's [indiscernible] (26:14) software.

And then you have services, which is a lot of other solutions that focused in on the insurance. So $1.3 billion plus $0.7 billion, $2 billion market opportunity. So it is large, it is noteworthy, and it's probably and primarily focused on a combination of property and casualty [indiscernible] (26:35) running through Europe and London being [ph] cake (26:38).

So our view of the opportunity from a global perspective is software and data analytics, we think over time they will continue to converge. Great analytic solutions need great delivery. Customers need to be able to consume that analytic in a way that's easiest for them. So what we try to highlight here as that convergence takes place, there are things that we are doing today, which is highlighted in yellow, right?

So complex commercial and specialty. We have Sequel now, very big category. It is in large part an opportunity to focus on complex casualty. It is also around the energy. You saw this kiosk out there of both Sequel [indiscernible] (27:26) that's the energy solution. Continuing across in yellow. We do some wonderful things on the claim side around motor, right?

So claims outcome advisor, a wonderful solution primarily focused on UK, we've now extended that out. It's about kind of those standard auto claims and how you adjudicate those in an efficient way, and we've been doing a lot of work with Lloyds around the regulatory environment and things that we can do with [ph] regular (27:50), making nice inroads inside the London market, specifically at Lloyds.

And then at the bottom left hand corner, global property, right? So it represents a combination of underwriting, Neil will talk about that from the standpoint of what we're doing from underwriting perspective. And Mike Fulton will be up here later on to talk about Xactware and the great things that we do across the world.

In green is where we're trying to head. In some cases, we actually have product. So think about cyber, we've put out a new PCS, Property Claim Service around cyber, but we have our new solutions around AIR. We have Arium around casualty, Bill will talk about that. Exciting, new ISO has coverage around cyber, but they're kind of nascent. And what we want to do and what we want to extend into is things like SME, which is small to medium

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size enterprises, small commercial. We want to do some things around marine and cargo, and we're doing some development work there.

Finally, IoT continues to be featured. We have some wonderful opportunities. We have, call it, the Data Exchange here in the United States. It's gaining traction. We have a lot to offer and we're trying to extend that model outside the United States. So a little bit of perspective of where we're headed and how we view the global opportunities and the solutions.

From a casualty perspective or really from a commercial perspective, these are various classes of business. These are the types of risks that people [indiscernible] (29:16) underwrite, and we have been going through the rigor of trying to both internally aggregate information, acquire or partner to gather information, so that we have better information, better analytic models, using our methods to improve solution sets that we can offer both in United States, but even more important internationally.

And you could see here through the work that we're doing, how we're trying to improve our data, and our models, and our analytics, where it's a 3-point scale, 3 being the best, 1 being the least, and how we're trying to improve and are improving.

So, besides all the organic effort where we're trying to take and move our solutions, we've also acquired several companies. And what I've tried to array here is the international flavor of those acquisitions across the different business units that you're going to hear from today.

Let me highlight a couple and then I'll talk a little bit about Sequel. One, Risk Intelligence Ireland. Risk Intelligence Ireland, wonderful, smaller solution set that had a claims history, very similar to the things we do for claim search, [ph] they're also (30:30) using on the underwriting side.

We became involved. We've extended and started to let them think about kind of the way ISO does business. More recently, we went to kind of the regulators, as well as the insurers, and not only are we getting claims histories, we're now starting to get personal auto policy information so that we can drive towards what we refer to as kind of benchmark loss cost, putting in place programs that we have in the United States for personal auto in Ireland. That's a combination of build and buy that I think crystallizes what we're trying to accomplish.

The most recent one, red mark, let me give you a quick synopsis. We have some great tools to handle what I'll call the more basic type of auto claims in the UK. Red mark, there is two things. One, it has a lot of great information about those highly complex auto claims. So putting it together, we have now analytics and data across the whole spectrum, and they are focused primarily on the legal side of things, the barrister side of things. So we think there is an opportunity to now take COA solutions into the legal side of the London market. Again, a way to extend and expand our offerings.

Sequel. Sequel has – going extremely well. Customers, insurance industry as a whole has really – they've really responded extremely well. Again, large addressable market. They are focused on that specialty commercial space. They have a large chunk of the London market and are trying to extend beyond. And I think the functional integration within Verisk is going extremely well. But this is an exciting opportunity, because it's a two-way street, right?

It's probably interesting to take what they have as business intelligence. They have an impact tool that would be wonderful and will be a wonderful in combination with things like Touchstone inside of AIR. They have what we refer to as an underwriting workstation, which is a great tool to help understand and price and analyze the risk,

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which seems to fit very nicely into the things that ISO does, right? So we are trying to make inroads and trying to prioritize the things. There's a lot of active dialog as to what comes first and how we can kind of best leverage their customer list.

So as you think about what we're doing, I think there's been a bit of a ground swell. Our customers here in the United States are asking us to move with them across the pond and into different locations. And at the same time, because there just is kind of a thirst for data analytics, a lot of customers are kind of demanding our solutions. So this represents what we do, right? So on the first column, that's AIR, we've been doing this for a long time and you'll notice that in dark blue, we've kind of covered all these geographies for some time.

I mentioned Xactware and the solutions we have here. What we have is a combination of where we have customers in dark blue and where we're starting to pursue customers in light blue, right? I referred to COA, which is Claims Outcome Advisor on the auto claims side of things. We've had customers for a long time in the UK, gotten a couple in France and we're trying to extend out, you can see the light blue, right? PCS, which is the standard for the most part deciding what is a CAT in the United States, this historically been a U.S.-based property-focused solution. We are extending both across different types of geographies as well as we're getting in things like cyber and marine.

Global property, Neil will be here to talk a little bit about what we're doing on the underwriting side. Verisk risk rating, one of the acquisitions we talked about. It's about travel insurance, but not travel insurance like in the United States, it's about preexisting medical conditions and what it would cost to get your – to the event you had some type of event, while traveling, what it would cost to get you to the type of health care you need. And that has been wonderful because you can take it into disability, you can take it different places and across the world. IoT/Telematics, talked about the opportunities there, and Sequel I talked about.

Finally, one of the great opportunities, we're talking to customers and they are interested in our solutions, not only about where they reside, [ph] think the UK, but I think, (34:43) boy, we're writing a lot of U.S. risk. We'd be interested in all the information you have in the U.S., so some of the greater opportunities we've had, is actually talking to foreign insurers, who were writing U.S. risk and that's that last column.

So we are bolstered by an organization that helps us both from a business unit perspective, as well as some corporate support, but we've also put in place a global business development team and across all of our regions now, everybody is organized by country. Our business units have the ability to bring something to market and they have somebody to go to market with and to sell the products. New, exciting and it's opened up a lot of doors. As we sit here in the United States, we have local presence.

So let me give you a quick kind of the before and the after and where we're going. Okay? So yesterday, 2012, dark blue. This is primarily around AIR models. You can see we're in about 81 countries, all major apparels. As we think about outside of AIR, we did some work around really the typical ISO participation, a little bit of Canada. We had some conversations and some contracts with Lloyds.

Fast forward to today, 2017, AIR lighter blue is now up to 106 countries, all major apparels. And outside of AIR, where we've kind of made some nice progress, you'll see probably not the world lit up. Of course, we have a very fluorescent green here. What you see is a lot of activity around Europe, especially in London, and that has been very rewarding and it's been very good. Okay?

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Looking forward, 2022, AIR is extending to think about, in the light blue, a little bit about Northern Africa, a little bit of South America. And outside of AIR kind of the other businesses are kind of focused a little bit on China as well as India. Okay?

So, kind of in summary, what we are doing and where we're making a path to growth is that we have some very unique capabilities that we are replicating, localising and bring into those geographies. We're following our customers, little bit kind of we hear them and we're trying to make sure we're responsive, that's good, that's new. And we're taking that domain and expertise bringing all of that we have in United States to the front of our customer through what is a local talent or a local footprint in the global business development team.

And of course, the newly acquired businesses have helped us become focused, and we have tried to leverage that customer set. So in summary, as we think about ways to almost double where we are today after very good progress over the last five years, I say to you, we are better today than yesterday, but not as good as tomorrow. And we're very optimistic what tomorrow looks like. We have a great team, we have a great solution, so we're making a difference. Thank you very much.

Let me now transition over to Neil Spector, so we can kind of continue this discussion of growth around global property and what we're doing to help underwriters throughout the world. Neil.

Neil Spector

President, ISO, Verisk Analytics, Inc.

Thanks, Mark. Well, good morning. It's great to be with you today. As Mark mentioned, our strategy to move out into other regions around the world is partially to take some of the capabilities that we have here in United States that are very key to insurers and move those into other markets where they have need. So I'm excited to talk to you about our global property underwriting solutions.

Insurers need a lot of data to effectively underwrite a property risk. And it really falls in the category of these five categories. They really need to understand the structure that they're underwriting, seems simple but they need to understand the type of construction, how big it is, square footage, number of stories. They need to understand the age of the property, if it's got special protection, capabilities like sprinklers and alarm systems. So all that information needs to become available.

You also really need to understand how the property is being used, because based on how the property is being used, it represents different types of risks. So the occupants, whether it's office space, or a manufacturing plant, or a restaurant, those are all very important to understand as you underwrite property risks.

In addition, if you're going to have a claim, you really need to understand, what's the cost to rebuild, whether it's a total rebuild or a partial rebuild and that will help you both make sure that your customers have the right amount of insurance and also that you understand your claims costs. And so, understanding construction costs are key.

The local community's ability to fight fire and deal with emergencies is extremely important, when you're evaluating risks. And so, the understanding of how well has the fire department performed, what type of personnel and equipment do they have, is there water available, all this information becomes very important to insurers when they're writing these properties.

And then, lastly, as you think about natural and manmade perils, you think about a lot of the works, for example, that AIR does. They need to understand is this exposed to a hurricane risk, a wildfire risk, is the risk of flooding, really, there's a lot of physical characteristics of the physical location of the building.

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So here, in the United States, Verisk is the source for all of this information to the insurance industry. So we capture information about building characteristics from 90 million residential properties and over 6 million commercial properties. It starts with over 500 seasoned and experienced fire protection field engineers that actually go out and look at physical buildings, including the one that you're in today, and capture that information and put that information in the database, and then, we extend that through other Verisk data like Geomni aerial imagery data that we can capture and include in the database. And then, where we don't have access to it to our own data, we use third-party data such as tax assessor.

And we also can look at who the occupants or the 26 million businesses that occupy these buildings, and this really helps insurers understand the nature of the risk. And through Xactware, we're monitoring over 4,000 material and labor components throughout the United States. So we can understand what's it going to take to reconstruct this building if there's a partial or full loss.

And then, through ISO, we actually go out and we evaluate all of the 50,000 fire protection communities throughout the United States and actually use a classification system of 1 to 10 to help insurers understand how well are they protected.

And then lastly, using our Verisk weather capabilities and AIR modeling capabilities understand where this property is relative to manmade and natural risks, the catastrophes.

And so, you can see and you should all take a sigh of relief that you're actually sitting in a very safe building. This building, this is information about the particular building that you're in. We've in the past been out to inspect the building and you can see that we have information about the construction of the building. It's a very wind resistant and fire resistant construction. It is built in 1961. You can see what kind of – it's 28 stories, it's mostly office space except for the first floor where there are some restaurants and shops. You can see that it's protected by sprinkler and that the New York Fire Department actually gets our highest classification of a Class 1, which means that their ability to respond to fire is the best on the scale.

You can see the relative hazard score that we have and we're telling the insurance company how does this building compared to other buildings in the database that are of similar size and characteristics, and actually, this building performs very well. We have a full replacement cost that we've been able to calculate, so they understand what the claim, how much insurance they would need if there's a claim.

And then, the last piece here is very unique in that we calculate the cost to insure this building from two perspectives, from a fire and sprinkler leakage and vandalism perspective, and also from a wind and hail perspective. We actually come up with a calculation at a per $100 of value and these are filed. These are filed loss costs, advisory loss costs with the various insurance departments throughout the United States. And those insurers who use our programs are required to actually use this when they price the building. So a lot of great information.

What we've heard from customers is this isn't available in other markets. And there's challenges in other markets in being profitable with property, because they're relying on the data that comes in through the brokers and from the insurers and they don't have accurate information about the building characteristics, they don't have good data. And it leads to poor performance, under insurance and loss ratios that are unacceptable. And so, our customers have been asking us what can Verisk do to solve this problem.

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And you see from this high resolution aerial image that the key to the solution starts with the ability to capture high resolution aerial imagery. So in markets where we can get this out, this imagery, we can gather a lot of exterior data about the building that we can then start to provide to insurance companies. And when it's not available, we can get access to high resolution satellite imagery to do some of our analytics.

In addition, we use a technology called LiDAR, which is a remote sensing technology using light. And what it does is it helps you understand the building height. It looks at the depth of the ground, so we can really get an understanding of what the physical structures are on the ground using the technology.

And then, lastly, using experts in construction and capturing all this data electronically what we're able to do is pull out the features of individual buildings that are important to insurers, digitize them into a map and provide them in a way that adds value to insurers. And then, we actually go out and do thousands of ground surveys from the exterior to make sure that the data that we're pulling is accurate.

In the U.S., we have two really proven methodologies that we're able to transport into exterior markets. One is our SCOPES methodology and what this is is it takes the engineering discipline and the actuarial science and brings it together in order to create the loss cost for the building. So think about our ability to both look at the building from an engineering standpoint, but also from an insurer standpoint around actuarial science.

And then, also, using our replacement cost (sic) [replacement cost estimation] (45:30) methodology, 360Value, which is a market-leading solution here in the U.S., we're able to take that leveraging our experience, working with Xactware and move that into other markets as well. So using these methodologies against this aerial imagery, we can start to create solutions in other markets.

Mark mentioned that we – it's a combination of organic and acquisitions that have been strategic. He had a slide up there, you saw a number of acquisitions and one of them was a company called The GeoInformation Group. We purchased that company back in November of 2016, and they have a database that they've created using this type of technology with over 17 million properties in the UK, both residential and commercial. And this was the basis by which we could start to build a UK-based solution.

And what you see here is a similar report to what I showed you for this particular building, for Leadenhall Market, which is a popular tourist destination in London. And what you see is we have a lot of the similar data, right? We can tell the insurer a lot about the property, how it's being used, what type of construction is there, what type of occupants are there. UK, flood is the big exposure, and so, we're actually including a flood score on our report as well as the replacement cost estimate.

The only two things that I didn't highlight here that were on the prior report were the relative hazard score and that's actually in development. We'll be adding that to the solution in 2018 and then, the loss cost. Of course, the loss cost requires a certain amount of loss data that we don't yet have, and so, that's something that we hope to be able to build in the future.

And so, this allowed us in 2017 to launch a solution in the UK. We have customers up and running licensing the solution, and we actually built out the solution in Hong Kong and Singapore. We do have plans to move into other markets. France, Germany, Australia and Canada are all markets that we've identified as well as a potential pilot in a city in China.

And the way that we're picking the geographies, going forward, is really listening to our customers where do the customers have the greatest need. We also look at the size of the market, because we want to understand the

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global opportunity. We think on a global level that's very big, but we obviously want to focus on the larger markets. And then, also, the availability of data. We have to see what type of data we can get access to in these markets to build the solution.

So last, let me just summarize by saying that this is part of a bigger solution. I talked about a very specific underwriting risk product where someone's writing a building and they need information about that. And you can see here that we have a lot of the information today; the building information, the cost to rebuild relative to natural hazards and catastrophes. But in addition to that, there is information we want to add like the community fire protection, we want to add information about loss cost in the future.

And then, the other thing I want to highlight here is this is not just being used at an individual level. This data can feed a portfolio. So think about AIR's portfolio analytics and models. All of this data can feed the exposure information in an AIR model for example or impact product that Sequel has. And so, this data can be leveraged by other parts of Verisk for portfolio analytics.

And in addition, there is regulatory requirements that require that you kind of quantify the underlying exposures that you're underwriting. And when you think about the data that we're providing, all of that can be aggregated up for reporting and compliance purposes. So it is part of a larger strategy.

Glad to be here today to be able to share that with you and I'm going to introduce our next speaker, my colleague, Bill Churney at AIR, who is going to talk about extreme event modeling. Thank you.

Bill Churney

President, AIR Worldwide, Verisk Analytics, Inc.

Well, thank you, Neil. Good morning, everyone. Also pleasure to be with you all here today to talk a little bit about AIR and extreme event analytics. I'm going to start with a couple of macro trends that we feel optimistic about will drive growth at AIR in 2018 and beyond.

What you're looking at here are actual, global insured catastrophe losses over the past 10 years or so. And if we put 2017 to the side for a moment, the preceding decade has actually seen relatively low catastrophe losses outside of 2011 and this has been a real contributing factor toward the challenging market conditions that our insurance and reinsurance clients who write these types of risks have been facing.

Now, you bring 2017 into the picture, and of course, things are quite different. We've had hurricanes, earthquakes, wildfires going on even as we speak and losses are piling up. When all is said and done, global losses this year may get above $100 billion. And this has obvious positive effects for insurance and reinsurance companies, pricing will improve, premiums hopefully will rise. We also see that focus will return to managing natural catastrophe risk that augurs well for us, and also, we may see even a couple of other companies come to market in the wake of the losses that we've seen in 2017.

So that's one positive aspect. The second trend that I will highlight is something that's a bit of a longer term trend. Now, despite the insured losses that I showed you a moment ago, the reality is is that most natural disaster risk in the world today remains uninsured and that's what we're illustrating up here. One of the positive things though is we see trends on the horizon that would indicate that this – what's termed in the insurance industry is the protection gap, the difference between insured and uninsured losses should over time continue to narrow, which will provide more opportunities for our clients and more demand for the solutions that we have.

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So what you're seeing here is derived from a report that we just published on our website that aims to quantify the size of this so-called protection gap. And by geographic region up here, the size of the pie represents our estimate of the total economic loss from natural catastrophes. And the green portion of the pie is our estimate of what's insured today. And you can see by region in no case is more than 50% of the natural disaster risk insured today. Even in North America, even in the U.S. Why? In the U.S., it's simple, it's flood risk. We saw that in Hurricane Harvey is very few people in businesses are adequately covered for flood risk and you take earthquake risk, the estimate is about 10%, maybe 15% of California homeowners have earthquake insurance.

And in developing markets, the gaps are even larger. There, that positive trend is what we've seen is as people's incomes rise, demand for insurance goes up and we would expect more insurance of these natural catastrophes over time. So what we hope to see over time, as these pie charts go from predominantly blue toward maybe even predominantly green, that will augur well for the insurance industry and for use of the extreme event solutions.

Now, one of the impacts of the low catastrophe losses over the preceding decade that I was just talking about is our clients have had to say looking for other forms of risk that they would like to insure, how do they look at other lines of business take on other forms of risk so they can continue to grow. So it's actually spurred us and the clients have come and asked us, how can you develop analogous solutions to the property catastrophe models that we're quite comfortable with, to help us grow in new areas. And we actually think that's going to be another way for us to grow outside of the core of our natural catastrophe business.

So turning to that, one of the things we focused on over the past few years is how can we expand our capabilities and Mark highlighted this earlier, to go beyond natural catastrophes toward a broader range of extreme event solutions and have a broader offering to our clients. I think we've done a good job in a number of areas here and we've got a lot of opportunity going forward.

So what you see up here would be what I characterize as a different risk verticals that today AIR is offering solutions in. Again, we start with natural catastrophes that continues to form the backbone of what we do. But we've been developing models for crop insurance for over 10 years now in markets around the world, we offer solutions for terrorism and political risk, life and health, I think, pandemics, and try the newest areas that we're focusing in are casualty and cyber.

And the way to think about this is as we develop a new model for a crop insurance market or a terrorism risk, these represent incremental licensing opportunities for our clients or we can go in and target and speak with companies who primarily write and focus on one of these risk verticals. So let me highlight two of these that we're very excited about and we're investing behind to give you a little more depth.

The first are casualty or liability catastrophes. When I say that think things like asbestos, think tobacco, think Bernie Madoff's scandal. The casualty or liability market, as Mark showed earlier on, is quite a large portion of the overall commercial insurance market around the world and also important part of the global reinsurance market, as you can see from the pie chart on the right.

And we estimate that the total addressable market for these types of casualty catastrophes solutions might be up to $185 million. The challenge that insurers have had is that the analytical solutions available to them have not been that strong or robust to-date. Clients have been asking us, can you develop a model for casualty catastrophes?

And we acquired a company called Arium in January of 2017, which we think is going to provide clients a very good answer to that challenge. And what Arium offers to clients is a cloud-based solution that enables them to

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manage their portfolios, understand the interconnected nature of the liability risk through looking at economic trade linkages. Basically, how a liability loss explodes is how far can it move through the economy. On the left, you see an excerpt of the actual visualization that's capable in the Arium platform to help people understand what these economic linkages can be and how a liability loss can propagate through the industry.

And this software platform, again, is something that our existing clients would license as an additional add-on to their current suite of capabilities. It can again be in the six-figure range for capabilities here. And we can also now start talking to companies who primarily focus on casualty insurance giving us an ability to talk to some new clients.

Second area I'll focus on is cyber insurance. Cyber insurance is probably one of the fastest growing, if not, the fastest growing area of insurance, certainly in the United States. We believe for Verisk on the insurance side, it can represent a $200 million addressable market. And with cyber, we're trying to take quite a holistic approach with colleagues across Verisk insurance solutions so that we can help our clients at different points along the insurance value chain, which you see illustrated up here.

And what clients are saying to us is they want to be able to get into this market more quickly like to help lowering barriers to entry, which we can do through forms, loss cost and rates. They're very worried about the risk they're taking on. They want to see pricing and underwriting solutions to help manage and keep loss ratios under control. And accordingly, they also want to manage the size of their portfolio, the risk to their capital and solvency.

So we've done a number of things in 2017 that it give us a good footprint in the market. At AIR, we launched the ARC platform, which gives an ability to manage the portfolio. We've launched the ISO Cyber Insurance Program, and PCS released its Cyber Index, which helps facilitate risk transfer.

And again, if you think about something like the ARC platform, that gives us another incremental opportunity for clients to think about, again, in the neighborhood of a six-figure licensing opportunity for them to manage the portfolio. So there's a lot of capabilities that we have that we're just starting with on cyber and we'll be pushing that forward as we go.

Now, the models form the backbone of the value of – or the core of the value that we provide to our clients. And Mark showed you the growth in the number of countries that we've modeled from a natural catastrophe perspective, that will continue as we go forward, building more models for flood, earthquake, crop, as we go forward. We'll also be focused more on these extreme events solutions that I've talked about. So cyber, casualty, life and health.

But the models aren't the only sort of lever we have for growing with our clients, there's also the ability to provide them the software solutions which they use to run the models and which they use to integrate into their workflows. And that's the part I'll focus on in the second half of my talk.

So in the center, with the models, our core Touchstone platform is really what they focus on to run their models, and I'll talk about how that fits in. But there is also a great opportunity for them – for us to expand it upstream and downstream analytics. So from an upstream perspective, what we're focused on is the ability to help clients manage exposure. Grab my water, excuse me.

Now, from an exposure management perspective, what clients are looking for and this ties in very closely with what Neil talked about was the ability to not just manage the exposure data, but improve it. We have a

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tremendous amount of data associated with U.S. properties and international properties as well. That can be fed in and can improve the models as we go forward.

The Sequel applications which enable us to do our great bit of work internationally and really help in the workflow what's streamlining and optimization. So Sequel products can help in the commercial insurance markets to help people optimize the underwriting workflow as well as the exposure workflow, those can all be tied into the AR applications and makes the overall modeling workflow much easier for companies to manage.

Now on the downstream side, this is after you've run the model. So clients run the catastrophe models, they get the output, what can they do with those results, how do they price the contracts, how do they manage the portfolio. We've done more work there in terms of helping people do this in real time, helping them optimize the portfolio and I'll say a bit about that.

Now the Touchstone platform, which we highlighted earlier has been a great source of competitive advantage for us. Now Touchstone, again think of this as the platform that helps companies run the models, it's the core centerpiece of what they do with us. We launched this five years ago to the market in 2013, and it's been a great ability to expand our footprint with existing clients, but it's also enabled us to take notable share actually away from our competitors because we've been able to deliver and execute on that software strategy.

Now Touchstone, in addition to running the models, is quite a modular application. There are a lot of capabilities that you can see arrayed around the outside that provide additional capabilities we can extend into the client workflow, additional licensing opportunities. So if you see things like underwriting, data quality analytics, geospatial analytics, each of these represent a new capability that can either replace what clients are building on their own or can extend out their capabilities.

But then the last piece I'll talk about, the software workflow comes with respect to downstream analytics. So again after you've run the loss models, what do you do with the actual output? And what we've seen with our reinsurance clients is as their markets have gotten more challenging, they've got a price risk faster, they've got to make decisions about the portfolio in real time, in seconds as opposed to five years ago they might have had hours or days to make those same decisions.

So in order to help meet that need, we acquired a company called Analyze Re at the end of 2016, these are people who'd come from the reinsurance industry and they've built a technology suite that helps reinsurers and iOS investors in particular insurance linked securities investors price and do these kind of portfolio analytics in this type of real time speed that we're talking about. They've got a great core base of existing reinsurance clients, there's a lot of runway for them to continue to roll these solutions out to clients.

And in many cases, it actually replaces investment our clients have been making and building their own systems because this kind of capability was not commercially available. And when they see what we're able to do, it actually becomes more sensible to buy versus then to continue to build these internal systems.

There is a lot of opportunity to go forward with this. They can be extended to insurance companies and we can work with our colleagues across VIS to approach a lot of our insurance clients on the reinsurance buying side. Portfolio optimization, this may for many in the room seem like basic building blocks of what you would do to manage a reinsurance portfolio. There really haven't been that many commercially available solutions to tackle this. Analyze Re has that. It's an incremental add on to the core pricing capability and technology that they have and that's moving a lot of clients into a spot where they can better manage their overall return on their portfolio. If we talk about integration in the lower right, the solution can sit, stand alone, but it can also is in process of being

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integrated into the core Touchstone platform, so however, clients want to streamline and optimize that workflow, we can make that work for them.

And then finally, in the top right alternative channels. There's a lot of talk in the insurance and reinsurance industry about disruption. How will risk be traded on a going forward basis in a different way than it's done today? There are a lot of new startups and new approaches being considered and they look at the Analyze Re technology as a useful backend technology that can be built into some of the approaches that they're taking to help drive some of the trading and risk management solutions that they're offering. And the team has thoughts that someday they might be the Bloomberg of alternative risk transfer. So that's an attractive component here. So we're able – if we think about it from a software perspective to not only help them run the core models, but with synergy across Verisk and with Analyze Re extend both upstream and downstream further embedding in the workflow.

Now most of what I've talked about here has been aimed at serving clients in the insurance and reinsurance markets. If you go back to what I talked about with the protection gap, one of the things we've seen over time as governments, non-governmental organizations have gotten more involved in risk financing schemes. You see that with the U.S. government with flood risk, you see it in a lot of World Bank projects that have occurred and we've been actively involved in those over time from more of a consulting base perspective. But as that is grown, we've recognized need to start what we term our global resiliency practice really focus on governments and non-governmental organizations.

Primarily, I think that will continue to be represented as mostly a consulting practice, but we see governments starting to recognize the need to have more in-house capabilities on this. We were really excited last year or last month rather that the FEMA, Federal Emergency Management Agency announced that it had licensed AIR's inland flood model to be used by the National Flood Insurance Program to help manage their risk. So hopefully, this will continue to be an opportunity to, one, address a different set of clients outside the core insurance arena in an area of extreme event risk, that's maybe underserved today.

So finally to conclude, I think there are a lot of reasons highlighting here for good growth opportunities for AIR. I talked about a couple of the macro trends to begin with. We have a very strong suite of catastrophe models that covers the global span, you saw that on the maps earlier. We're moving into different areas of extreme event risk, casualty and cyber gives us great new runway with clients, and then ability to reach new clients. The Touchstone platform has been a very productive investment for us. We were able to expand footprint with existing clients, take notable share away from our competitors.

We've got a lot of collaboration across various insurance solutions. So the ability to take that high resolution property data, work with our colleagues at Sequel enables us to not only improve analytics for our clients, but streamline workflows helps them to reduce cost and the team itself is just extremely experienced. They're focused on clients, we've got a good track record of execution, we're well-focused internationally and we can move into different markets.

So thank you for your time. And I look forward to talking with you all more later. Now I'd like to introduce my next colleague, Rich Della Rocca, who will talk about claims growth opportunities.

Richard Della Rocca

President, ISO Claims Analytics, Verisk Analytics, Inc.

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Great. Well, thank you, Bill, and good morning, everyone. It's a pleasure to be with you today. And I'm really excited to be here to talk to you about our claims business and the opportunities that we see for growth over the short-term and the intermediate term.

Before I jump into the slides, let me just talk a bit about how our customers – what's important to our customers from the claims perspective, there is really two things that they focus on. One is, they want to make sure that they provide a great claim experience when a claim occurs, it's actually the moment of truth for an insurance company, right. It's when that the promise of the insurance contract becomes real for them and for their customers, so they want to make sure that they're providing the best claims service possible.

And second is they're focused on cost. Claims obviously is the largest cost factor within an insurance company. $0.70 of every premium dollar they bring in goes out in the form of claim payments or cost to process those claims, so every dollar they can save in the claims process goes right to their bottom line. So, those are two key areas that they're focused on in and we provide a number of solutions to help them in both of those areas as we'll talk about.

One of those areas is around claims fraud, Mark referenced it earlier. It's a major problem for insurance companies that coalition against insurance fraud estimates that 10% of all the claim payments made are the result of fraudulent activity, that adds up to a $34 billion problem for the industry, significant amount of dollars being lost to fraud leakage, it cuts across all lines of insurance and it's a very diverse problem, it runs everything from a policyholder that has a legitimate claim and they just [ph] pad it (01:08:28) to add to it, so they can recover more all the way up to very sophisticated attacks by organized crime rings, which cost insures, tens of millions of dollars, and many of them occur right in this tri-state area, if you read the paper, the local paper, you'll see prosecutions around major fraud syndicates that have been identified and prosecuted and many have been identified as a result of using some of our tools.

So, how does the industry solve for this? Well, many years ago, insurers decided that although they compete on many different fronts that fraud was a common enemy, and it's something that they should get together, and collaborate on and share information. And that by sharing information they could better combat that common enemy, which is the fraudster. We are the beneficiary of that decision made many years ago by insurers, we operate what we call ISO ClaimSearch. Scott talked earlier about our very unique contributory data assets and ISO ClaimSearch is probably one of the most unique assets that fall into that category. It's the only industry wide claims database used today for fraud detection and for claims processing.

We have about 95% market participation, cuts across all lines of insurance, so automobile claims, property claims, liability claims, workers' comp claims all get contributed to the database. It kind of works like this. Anytime a claim gets submitted by anyone to an insurance company in the U.S. that claim gets sent to us usually in real time. What we do is, we add it to the database and we send back a report detailing the full claim history across all insurance companies over a multiyear period for all of the participants in that claim. This is fundamental information that's used by every claim adjuster on every claim to make sure that before they pay a claim that they know that there's nothing fraudulent and if they find that that it is a good claim, they can expedite the claim payment. So it's a very rich dataset widely used across the industry.

You could see some of the statistics here 1.2 billion claims that represents just that every claim filed in the U.S. over a multiyear period. We get 70 million new claims a year, a 100,000 active users, those are claim adjusters and investigators across the U.S, so it's very widely used.

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Now, the question that you might have, since we're talking about growth is, okay, 95% market participation. So how do you grow? Where do you go from here in terms of growing this part of the business? So let me explain that the ClaimSearch database and the core service, which you see represented in the center of the circle here is just a piece of the overall ClaimSearch solution platform. Around that core service, we have many other data analytic and workflow solutions that we offer as additional services. They're deeply integrated into the ClaimSearch system itself. So we have a natural competitive advantage in marketing those products and services and it provides a very rich up-sell and cross-sell opportunity for those solutions, so data products in the form of investigative reports, analytic tools like fraud scoring models and social network analytics that help identify some of those organized fraud rings. And then workflow software tools like case management, to manage all the investigations that insurance company performs. So many, many opportunities to add more value and sell more product to that market.

And I want to talk about a new delivery of our information. So instead of sending back just a data feed back to insurance companies, we're increasingly providing the information back to them in a much more visual interactive way. And what's important here is that we then control the user interface. We control what our customers see, how they engage with our information and with our tools. And this again allows us the ability to provide more up-sell and cross-sell opportunities. We're adding additional datasets to the database. You see digital damage photos here as a new dataset that we didn't previously offer, that we'll be now offering to the market. And we also will be embedding some suggestive selling features, similar to Amazon, where we could tell a claim adjuster that claim adjusters like you that worked on these types of claims also use these other tools of ours. So we expect that'll increase additional usage of our products as well.

So I've talked a bit about fraud, but there's other solutions that we have in the market to support other claim use cases. [audio gap] (01:14:06) touch on a few of those. Starting from the top, IoT and telematics. So you know we've invested very heavily in our Telematics opportunities. Mark talked about the Telematics Data Exchange. There's also a number of claims used cases here as well.

Just this quarter, we launched what we call our Instant Notice of Loss solution, working with our OEM, vehicle manufacturers. We can identify when a claim occurs, when an accident occurs and through data assets that we have within Verisk, we know who's insuring that vehicle. We can then automatically proactively notify that insurance company that one of their policyholders was just involved in an accident in real-time. And then, we can connect the insurance company to their policyholder by phone right at the scene of the accident, a seamless approach. And when you go back to trying to improve the customer experience, that's game changing for an insurance company to be able to engage with their customer right at the scene of the accident in a proactive way. We're really excited about that product.

On the auto claims side, we're also using machine learning and computer vision analytics to interrogate digital damage photos of a vehicle and in an automated way without any human intervention determine whether or not that vehicle is repairable and what the extent of the damage is, again, the use of analytics to automate and streamline and take costs out of the claim process. Mark talked earlier about liability claims our COA product and our Rebmark solutions where we provide some significant analytics to help bodily injury adjusters. Worker's comp claims is an area where we have some significant opportunities for growth particularly related to claims involving Medicare, individuals who are on Medicare. Now the way Medicare works is, they want to make sure that they're not paying for any treatments that should be paid for by a workers' comp carrier or a liability insurer and they're getting more aggressive in trying to recover those payments.

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We have a team that specializes in this area, very specialized picks requires a lot of medical and legal talent. But we have some really great solutions to help work with our insurers to make sure that they're not paying more than they should be to Medicare.

Property claims, Mike and Jeff are going to be up after the break to talk about what we're doing with aerial imagery and how that relates to our Xactware business. And I just want to reinforce what Mark said about our international efforts on claims. It's an area of where we see a lot of growth. We've got existing footprints in a number of countries and we're looking to expand that over the next few years. So overall, we feel like very good about our business. We've got a great team. We've got great products both in market and in the pipeline and we're really bullish about our prospects over the next several years.

Well, thank you. I appreciate your time and want to turn it back over to David now for next steps.

David E. Cohen

Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

So surprisingly enough, we're a little bit ahead of schedule, we are going to go ahead and take a break now. We'll come back at about 10:15. One of the feedback points we've gotten over the years is little more of a sort of break time and formal time. So the demos are available, please take a look. A lot of them are new this year. You haven't seen them before, very exciting. So we'll be back at 10:15 to continue. Thank you.

David E. Cohen

Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

So, we're going to go ahead and resume the program. Next topic up is, Geomni: Insurance Applications. I'm very excited, I think you'll enjoy this presentation, not to raise the expectations too much, guys. We've got Jeff Taylor, who is the President of Geomni, and Mike Fulton, who is the President of Xactware. Jeff, Mike.

Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

Welcome back. Hopefully, it lives up to the expectations. I'm truly excited to be here and, especially with Mike who I've had the pleasure of working with since 1992, and hopefully, you find our – what we're presenting to you interesting today.

Mike Fulton

President-Xactware Solutions, Verisk Analytics, Inc.

Thanks, everyone. Appreciate the opportunity to be here, as my role here is just to talk – add a little – a few contextual bullets, so that you can see how this opportunity of Geomni, which is very large, how it fits into the insurance claims space.

Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

So, initially, for those that aren't familiar with the Geomni business, it's a business that we created within Verisk and it came out of the Xactware business for good reason. Xactware is one of the primary areas that we can build upon. Geomni, in general, is building a reservoir of information. We have initial focus in the United States and North America and we are trying to monitor and watch the – what's on the Earth as terrestrial data. We do two primary things. We build this reservoir of proprietary data through remote sensing technology and capability and

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we turn that data into actionable information that can be leveraged in a number of ways and we'll put particular focus within the insurance space today, but we'll also talk about many areas that we can build upon and focus on.

As you see to the right there, that's not by accident, we're listing the primary areas that we use technology to gather information and we see great value in all of them and we put special focus on the aerial platform at least today. We have satellites that are hundreds of miles typically up above the Earth. They're very good at seeing a large amount of area often. Then the aerial platforms allow us to have a little more control, it allows us to get closer to the Earth and it's really kind of the sweet spot in which we can get a lot of information in a cost effective way. We also support drones and UAVs and one of the more powerful devices mainly because everybody has one, mobile devices.

We'll talk more about our fleet of aircraft that you've heard about here in a second. And as I said, we try to serve the entire Verisk enterprise. This is really about, if you think of the supply chain, you have millions and millions of landowners. They care about their home or the commercial building that they own or lease or are renting. It might be commercial assets such as a refinery or a pipeline. We want to take a view of all of this, gather that information, and then turn it into actionable data. One of the first things that we have had success with and where we will have special focus today is in the insurance applications and the initial leading platform is certainly the Xactware platform.

As we build this business, our number one goal is to grow, grow quickly. We will do that by a smart measured ramp-up. We are getting some of the best and brightest people in the world. We have, for example, two people that have built this type of business before and been successful. [ph] Brian Wagner (01:22:50) and Todd Stennett, we have brought experts in geospatial data itself, and computer vision machine learning, and they are part of our core team that's helping us build this business.

As you see this chart to the right, insurance is our launch pad and where we're having the most success, but all of these businesses that we've acquired are already serving areas like the Department of Agriculture, local governments, emergency response, things like that, for your reference, the term PSM is photogrammetry, survey, mapping, and mapping departments. This is the part of the industry that is using pixels and imagery to build maps and geospatial data solutions, if you will. And literally, every industry has some interest in geospatial data and mapping and we plan to spur growth in all of them.

Mike Fulton

President-Xactware Solutions, Verisk Analytics, Inc.

So, thanks, Jeff.

And as we present, we're going from a very large picture of what Geomni can do and going back and forth into the claims space. So, quickly, many of you are familiar with who Xactware is. We've operated in the property claims space for 31 years, we've led the restoration estimation space for 25 of those years, very large market share in the U.S. and Canada and, really, have developed what's an industry standard.

Let's go to the next slide, Jeff. We're setting the stage a little bit and this is where this really makes sense from an insurance perspective. If you think of what Xactware has done, we write estimating software, we provide building cost data that really helps those go out and write an estimate more quickly, more effectively, more consistently and allows them to communicate between different parties within that space. But to date, estimating and historically has still been even though software assisted and that's what we've done, has still been a fairly conventional process.

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You've got to have somebody that's a professional estimator go out on site, take the measurements, evaluate the damage, look at the building materials and so on and write the estimate. This is what Xactware has helped in for so many years. Where we're headed, moving over to the right-hand side of the screen, is automation, that's where technology is taking us, that's where the industry wants to go and what that means is rather than having to send someone out with construction savvy onto the site, you're able to capture those measurements, you're actually able to evaluate building materials and even ultimately the extent of damage through high resolution imagery, you're able to write an estimate using AI and machine learning, you're able to settle the claim based upon prescriptive analytics and fraud detection algorithms, as Rich mentioned in his presentation. We're moving from what has historically been kind of a high-touch world into this – ultimately, this no-touch claims world is where we're ultimately going.

The bridge – one of the primary bridges that helps us to get into that space is the Geomni toolset as we're seeing today.

Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

As mentioned, we are building a fleet of remote sensing platforms with focus on the United States. If you look at this upper right map, all those orange stars are where we have a local hub that has aircraft and a reasonably sized team to operate the aircraft with remote sensing technology in that aircraft and all of the supporting people to facilitate that. Each of those hubs also has a localized business where they are developing channels to sell this imagery and capability to the PSM market in their area, which may be government, architects, engineering and the like. While they're doing that, we're also sending them on baseline mission, so that we get our baseline understanding year in and year out. We target all population centers of 50,000 and up at full scale, we will try to get those every year and then areas of 15,000 and up every few years.

That platform that you see that has Geomni in the upper part there, we're taking a long view. This is a modern state-of-the-art platform that allows us to drive the fuel costs and the operational survey costs exponentially down and we're very excited about that. The lower part just shows you some typical oblique imagery and then the far right is a top-down view.

The blue stars are, of course, the Jersey City and Lehi, Verisk offices. The green star shows a hub that we are starting to build in the Hawaiian Islands.

The way that we have built this hub and spoke network is not by accident. I had the pleasure of being on the phone late last night, because we have fires on the exact opposite end of the country right now, and we're deploying a team into Southern California. We are able to respond to any location in the United States within hours because of our hub and spoke setup. And this is where we will build upon, and we will also be able to drive the costs down because we're not ferrying all the way across the country every time we're gathering Denver or Nebraska or Texas and the like.

Really, right after we announced Geomni to the marketplace, we brought our new team members online after we acquired them, and we said, let's get to work, we have a few hurricanes happening back to back in Texas and in Florida. It really allowed us to put our newly acquired resources right to work. And we, certainly, learned quite a few things in Texas and we're able to apply in Florida.

As Mike mentioned, we were able to go from what we call [ph] image to scope (01:28:53), especially in Florida. We were able to take a specific carrier's PIF, their policies in force, and process tens of thousands of their homeowners' locations and with algorithms we're able to process and, with the help of our Xactware teammates,

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generate at least initial roofing estimates before they even got into see their home after the damage, very exciting for the insurance company, and even more exciting for the homeowners that we were able to assist through that process.

In another industry, for banking and mortgages, we worked with a very large company to process thousands of buildings in Puerto Rico, there is some safety issues in Puerto Rico. So, we were able to, within a matter of just over a week, process everything for this company when they estimated it would have taken them just under a year to do that. We see both of these cases as really springboard opportunities for many, many more to come in the future.

Within the geospatial marketplace and with specific focus on insurance, we see it really having four quadrants of interest. The upper left is really aerial imagery and just having that baseline ongoing understanding and then getting an understanding after an event such as, a hurricane. We have great teammates within PCS that we are able to align with all of the cats as they are reported officially and that we're able to coordinate with AIR and others with our weather expertise to help with our flight planning and our response.

The upper right is really analytics. Everything we capture, we process through algorithms. We get that data from the plane and the platform into the cloud as quickly as we can. And then, we process those millions and millions of locations and we generate things like the total square footage of the building, the type of roof material, risk factors such as, is there a fence is there, a pool, if it's a commercial building, how much glass is involved, how many floors, things like that. We're processing all of this data with computers before we ever look at it with human eyes.

The lower left is something we'll talk more about, actually, Mike will, our drone inspection services and using UAVs in general. You might ask why don't we use UAVs entirely instead of aircraft and we would, if the cost ever got to the point that we could do that effectively. It costs a lot more to use a drone to gather imagery at scale and will for many years likely. And then the lower right is the mobile device, a ground-based understanding. In the first quarter of 2018, we will release a version that will be working with Xactware that allows you to gather interior information with your smartphone accurately. We have had some solutions in the past, but we feel the technology is achieved where we can produce accurate information now.

Mike Fulton

President-Xactware Solutions, Verisk Analytics, Inc.

Just touching a little bit on the UAV space that Jeff started into. So, UAVs, unmanned aerial vehicles, drones, more commonly known, gaining a lot of traction, obviously, in a lot of areas. Obviously, could be used either at the inspection when a property is being underwritten. So, just inspecting it at its current state or post-damage type of inspection. What Geomni announced earlier this year is this Geomni Property inspection service, it's available either as a drone as a service which is effectively a turnkey service where we'll provide the hardware, the software, and even the operator, a drone pilot will come out on site for you or it can be a do-it-yourself service where that software can be loaded onto your own hardware.

The way it works is that when you're ordering a Geomni Property package, you select that UAV option and what happens – or UAV inspection option, what happens is a licensed and qualified drone pilot will make contact, set up the appointment, they'll come on site, they'll conduct the survey for you. That information will be loaded into the estimator's Xactimate systems, so that they can see that damage. They don't have to bring a ladder out on site, and they have that information ready to go.

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Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

Yeah. Thanks, Mike, and jus to add a couple of points. This is an amazing capability within the Verisk enterprise. We are two-day ready to go in over 30 countries around the world. Later this month or early in January, we'll be getting together with our senior leadership and to explore this capability. Things like refineries and pipeline monitoring, certainly, real estate is a big opportunity in the financial services sector. And then, as Mike said, on the insurance side, we're already seeing this being put to use, we're excited about the capability that we can plug in the drone response to the other things we're doing.

Mike Fulton

President-Xactware Solutions, Verisk Analytics, Inc.

So, going beyond the claims space, we've talked a little bit about that, the opportunities are very large. We talked from an underwriting perspective, evaluating that sites, so that you can imagine capturing the size and configuration of a structure from the air, having that predetermined, identifying hazards that are both on the property or adjacent to the property, identifying things that are going to affect the risk that might not otherwise be communicated to the insurer, is there a swimming pool, is there a trampoline, are there additional outbuildings on the site, risk modeling, which is what Bill talked about, and then even going through on the renewal process.

This is one of the biggest areas where there's a lot of, I guess, opportunity left on the table from an insurer perspective. When we go through our renewals of our policies, what has changed within our home? Have I added an addition onto the home, have I added a third garage, have I replaced the roof, have I added a swimming pool, those type of things are captured through the refreshing of the Geomni data.

And then ultimately, what – the ultimate goal is to have what we call a property that's claim ready. What that effectively means, if you're capturing all of that information up front, you understand all of the data related to that property, you understand all labor and material that is needed to rebuild that property from the ground up, and that's kept refreshed, so that if and when a claim ultimately occurs, that's ready to be cued up and applied in an automated fashion.

Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

Now, these next couple of slides just gives you a little look into what's happening as all of this imagery – many petabytes of imagery and data is flowing through the system. I also forgot to mention we are investing in sensors that have both imagery, taking a picture, a digital picture, and LiDAR for the majority of what we capture. So, that means we're shooting a laser down against the Earth and creating very accurate point clouds. And then, we're colorizing that with imagery. This is very powerful even right off the plane. Certainly, when we work with AIR and their amazing flood model work and their other catastrophe model, we'll be leveraging this type of data at a very high level.

This shows you this particular location where we had baseline information. We came in after the hurricane in this case. And without human touch, we can generate what's happened, and the delta, and we can see the damage automatically. This is showing us a change detection from one point, again, in the baseline and then after the fact where someone has converted their garage into living space. That, of course, changes the underwriting factors, certainly would affect a claim situation or a mortgage or something like that. The other example is showing us a different roof material for part of the structure and the other.

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This is a fantastic opportunity for building the Geomni business and for Verisk overall. We've had great success and we're just getting started, that we will be growing at a very measured quick rate. And the reason is we are going after markets that are substantial. There is over $2 billion year in and year out in just United States exchange for imagery-related products and solutions.

This thing that you see in the middle, that's actually not an image, that's literally right off the plane of one of our newest sensors, that is a very accurate colorized RGB point cloud. And I'm sure, you're thinking woo-hoo, right? Wow, that's exciting. I wanted to make you laugh or smile at least once. So, this is actually very accurate, the measurements that we can take from this, that's what we would call segmented, meaning, we know where a building is, we know where man-made material is, we know where vegetation is, right off the plane. And our goal as a analytics primarily business is we want to automate things, we want to use computers to do things that scale and to do them very powerfully, so we're very excited about this capability that we're investing in.

Geomni has been entrusted with a significant investment and we feel very confident about the return that we'll be able to bring back to the business, of course, with all of our colleagues and teammates within insurance and the other segments.

The businesses that we have acquired, just to point out, they brought with them many channels, so they already have relationships in government, industrial, commercial and in other areas. We plan to build upon that not only to continue it, but also to bring new capability to them so that they could take them to those channels, and we could start to bridge this data factory, filling that reservoir that I described so that they can exchange information when Neil and underwriting is understanding how fast the fire department can respond or emergency response. We can also, through those relationships, deliver imagery and solutions back to them.

So, anyway, thank you for giving us a little bit of your time today to talk about Geomni, and specifically the insurance market. Next, I believe, we will be bringing up a panel for some Q&A, so thank you.

Jeffrey C. Taylor

President-Geomni, Verisk Analytics, Inc.

Thanks, everyone.

Mark V. Anquillare

Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

So, we'll be taking questions and look forward to those. What I would just like to maybe summarize is, as you kind of saw the opportunities for growth across the very different product areas and product lines, one, we have done this before, right, whether it's something we've done in the United States and we're extending or we're leveraging models that we have and extending into kind of new cyber and casualty, or taking what is a wonderful platform, Xactware, and leveraging some Geomni information.

So we've seen some enormous TAM. It's early days, early innings, but what you should understand is that we've done this before. We have a proven track record. We deliver ROI, real ROI to customers and that's what's made us so successful in the United States. So extending beyond to new products or to new geographies that ROI, that ability to help our customers become more profitable, in my mind, it's a matter of time. So the team remains pretty bold and pretty optimistic about the future.

So, with that, we have a couple of questions, I think we have some microphones and we look forward to answering some of your more detailed questions.

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QUESTION AND ANSWER SECTION

Q

Hey, Mark. First question is just on – yeah, the first question is just – if you could compare your aerial imagery offering to EagleView, you tried to buy that asset back in 2014, that deal fell apart, that's the first part. Second part, can you double your international revenue? Is the historical trajectory – is that similar going forward, just give us a sense of that. Thank you.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Sure. So let me take the second one first and then I'll turn it over to Jeff to maybe talk a little bit about the comparison to EagleView. First of all, I think we have some very exciting opportunities. If you were to think about historic growth, it has historically been in the AIR realm. So I think AIR will continue to grow, but what we see is the opportunity to extend some of the other solutions initially in London and then beyond, and that will catapult growth into the future. So the growth rate there will accelerate and we feel pretty bold and pretty optimistic about that.

Two, let's go to EagleView. So I think we have some wonderful positioning and some wonderful talent. Jeff, maybe you can take that one up.

Jeffrey C. Taylor
President-Geomni, Verisk Analytics, Inc.

A

Sure. So for the car solution in the market, we certainly are positioned with coverage at least competitively with what EagleView provides. A couple of key points that I mentioned, we're bringing in sensors with LiDAR and regular imagery that will – to my knowledge, we're the only ones doing that. We're certainly the supplier, and the cutting-edge technology that we're using, we're the only ones that is still doing it.

We're also – EagleView, at least in the insurance industry, is very focused on roof. And we are focused on the entire property. We think of – when we look at a property, we think of all of it, the risk factors, the bricks, the stucco, inside and out, not just a roof report, and we own our planes and our sensors. So we have a more direct ongoing commitment, if you will, and we can direct and expand how we like. They're doing some great things, but we are doing better things and we think we're bringing a more complete, deeply integrated solution. The other point is, our integration within the Verisk platforms, we're together. So we can bring a lot more capability together than we can with a dispersed solution.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

So let me try to emphasize and maybe make a couple of points. From an integration perspective, maybe, Mike, you can give a little color as to how we kind of integrate from a claims perspective and what we have and EagleView doesn't is integration into the underwriting side. Maybe, I'll ask Neil to follow.

Neil Spector
President, ISO, Verisk Analytics, Inc.

A

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So, great. I mean, EagleView essentially is providing aerial imagery and they're providing laser-type imagery based measurements from that, that can go into our system today. But one of the things that we do with the Geomni data is providing that total image to scope. So it's not just creating the image, not just creating the model, but applying that estimate to it as well. And that's the level of integration that Jeff was talking about that we're not going to do with anyone who is a third party. Those – the level of integration that you're going to see between two Verisk organizations is going to be exponentially tighter than you'd see between us and a third party.

Mike Fulton
President-Xactware Solutions, Verisk Analytics, Inc.

A

Yeah. And I'll just give you two quick underwriting examples. I talked about are ProMetrix database, which is the commercial database in my presentation and we can actually take that Geomni data and enhance and expand that database. And I also mentioned, our 360Value platform, which is what insurers use in the coding process that determine how much coverage they need for a particular risk and so think about being able to pre-fill various characteristics right into that tool from the data coming from Geomni, so just two examples.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Thank you. Next question?

Q

Hey, Mark. Just on the international expansion, just first off, just trying to understand, how is the UK important for expanding outside to other international markets? And kind of related to that, in terms of expanding internationally, how much of your international growth is dependent on the development of insurance industries and especially in emerging markets, and are there any barriers to attracting or acquiring some of those assets related to those sectors? Thanks.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

So, good question. So let me take that on and I'll turn it over to the team to give you maybe an example or two. So first of all, I think what we've found is that the market in London is very sophisticated, a little bit more focused these days on quality underwriting has become more interested in Verisk. So that kind of relationship, that extension, they are now reaching out to us where we have a bigger presence and we've been able to kind of make some inroads there.

From London, it does make for easier jumping off point into other local kind of geographies, think about Germany, think about France, all those are interrelated. Maybe an example and Rich, maybe I can turn it over to you to talk a little bit about COA is to how we kind of started in London and extended out, would you mind?

Richard Della Rocca
President, ISO Claims Analytics, Verisk Analytics, Inc.

A

Sure, yeah. And I just want to make the clarification, when we talk about the London market, that's very specific to the Lloyds market, but there's also the domestic UK market where we have an existing presence today and many of those insurers also have operations in other parts of Europe and around the world. So we're kind of taking a follow-the-customer approach, where so we've got UK customers in there and they're interested in using our tools like COA, we successfully moved from the UK to France, where we have opportunities in Australia as well with

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that product. So, we're – so the value of being in the UK market is that many of those companies have other operations elsewhere, and that's really been helpful for us to move our product into other geographies.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

I think one of the questions people have had is, there is some cost upfront to localize the solution. We've done that many locations, and now we're looking to extend on. Exact words, probably the best case in point where we spent some money just to make that happen and it's ongoing.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC
Q

Hey, Mark. It's Andrew Steinerman. Sequel was a software acquisition, you mentioned software a few times over, I surely recognize Verisk as a data company. I realize you're getting more into software because some of the proprietary data doesn't exist that you would like. So my questions are, through Sequel, how much reuse rights do you have to that data and how confident you are that you'll get the coverage in the data set that you're looking for inside the UK market?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

Yeah. So let me draw a distinction. I think what we feel is that the convergence between data analytics and software will continue. I think case in point is really Xactware and AIR, right. We have a wonderful model, wonderful tools, but the delivery mechanism the way customers want to consume is through an elegant software solution nicely integrated into their workflows.

So, with that as a backdrop, what we're talking about with Sequel is again maybe more of a software solution. I'm not so optimistic to say we're going to have data across all these various customers and we can put in one place and play the ISO or ClaimSearch business model just yet. But what we think we can do is inside a customer's own data set, there's analytics that we can do and we can provide to supercharge the Sequel models.

Similarly, we think there's things that from an underwriting perspective we can bring to the forefront, help them with the way they think about underwriting. There's some business intelligence on the backend that we can do, and we think there's some nice opportunities to more tightly integrate that with some of our solutions here, and then bring it to other parts of the world. Bill, maybe we can talk a little bit about kind of the overlap with Touchstone and Sequel, would you mind?

Bill Churney
President, AIR Worldwide, Verisk Analytics, Inc.
A

Sure. So one of the components that they have which was very attractive to us was the impact modules that enables companies to manage assets or property data, but data across every line of business that people invoice right, and they write very exotic lines of business. So that gives us a nice opportunity to help clients better manage that data. But then they can flow it right into the models. And that's always a – insurers are looking to always streamline the workflow, how do they get their costs down. I think that particular linkage will be very helpful.

And as we take some of the global property data that Neil's talked about and the U.S. data, you can actually have that be more of an end-to-end solution. Ultimately, there's the underwriting module. We've got clients already talking to us saying what we'd also like to hear about how that underwriting workflow can be streamlined. So

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there's a lot of opportunities there I think make a whole package in terms of software solutions, the data we can provide, the models we have very helpful to clients.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

Sorry. Yes, so from a reuse rights perspective, the data inside Sequel is owned by those insurers. What we hope is that we can provide analytics on their own data that should be not a problem. I think at some point, we would try to run the model to try to share data. I think it's more likely on the claims side, we're the common good, fighting fraud is probably more prevalent, and I think we are going to try to make inroads there first.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

Bill Warmington, Wells Fargo. So, a question for you on Xactware. You guys have always been the biggest player in the claims side of the market. Have you had success penetrating the underwriting side of the market? And what's been the insurance companies' receptivity to having just one platform for both claims and underwriting? Looking at it from the outside, it seemed like that would be a logical way to go because it's one asset, but.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

So Bill, let me try it and maybe let Mike and Neil. So, what we've been able to do is because the world of insurance claims is being handled largely by Xactware, we have a tool called 360Value and we leverage the fact that you should really be underwriting based upon those claims and have a similar process.

Mike, Neil could you maybe give a little color?

Mike Fulton
President-Xactware Solutions, Verisk Analytics, Inc.
A

Yeah. So that was really the genesis of what we're calling today the 360Value product, it's utilizing the same construction cost data. So, ideally a carrier saying that which I'm going to underwrite or develop the value of the structures from a coverage A value is the same cost data that I'm going to use on the backend if and when a claim occurs and that's been a very successful selling point for us. That started as a part of the Xactware organization and then multiple years ago split-off into the underwriting side, which is part of Neil's portfolio at this point.

Neil Spector
President, ISO, Verisk Analytics, Inc.
A

Yeah. I would just add to that that first of all, to your question, yes, insurers do like the fact that the claims system and the underwriting system sit on top of the same pricing database. That is a big competitive advantage for us here in the U.S., and it's one that we feature a lot with our customers. And the second I would say is that we're fairly close if not in 2018 going to be the point where on a residential side our 360 tool actually will be the largest provider of tools in the market. So we've been making steadily progress against our competition in that area. Still a little bit a ways to go on the commercial side, but really good success story.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

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And just to give you a little historic context, the first thing of innovation inside of Verisk is much a collaborative event. AIR also had its own repair cost – replacement cost estimate tool as well. So we actually had three teams working together to become one in creating great solutions, so just distribute around.

Alex Kramm
Analyst, UBS Securities LLC

Q

Alex Kramm, UBS. I think, Mark, at the beginning of your presentation, you talked a little bit about the cross-selling and up-selling, which I think was a much bigger focus on some of the previous years, not so much today. But a couple of months ago, we actually did some channel checks with customers and one of the things we walked away with was actually feedback, let's say, like customer saying, they're actually not doing a great job up-selling us or giving us a clear picture why we should be buying the products and what the return of those investments are. So just curious, is that something that you're hearing as well? And I think you talked little bit about the sales force organization. Is that something that you're addressing or is that just maybe too spotty of feedback that we've gotten?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Well, first of all, I'm surprised by that outcome. If you give me those names, we'd like to make a visit. Every month, we are very sales focused, we have a chalkboard. Why don't we – Neil, why don't you start?

Neil Spector
President, ISO, Verisk Analytics, Inc.

A

Yeah. Sure.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Let's talk about kind of the way we approach this and...

Neil Spector
President, ISO, Verisk Analytics, Inc.

A

Yeah. So, well, first of all, I think cross-selling and up-selling is right in the mind of what our sales team does. So I think that's core to what we do, and we actually keep a chalkboard of all of our competitors and every month we look at all of our head-to-heads and we actually show which ones we won and lost, and we're winning a lot more than the ones that we're losing; really encouraging to see the progress of our success. And you could see over time it grows, so you can see we used to win one, lose one, and you can start to see like we're winning a lot more than we've been losing.

The other thing I would just say on that is insurance companies are big and complex. And what I find the reason that you're getting that feedback is, we'll be in there talking to an insurance company about our solutions and up-selling and right next door to them is another colleague who has no idea what we do. And so, depending on who you're talking to, they don't always draw the connections. And so, I think we've been able to help our customers a little bit by saying, are we including enough of the group? So we have the claims people at the table with the underwriting people and the actuarial staff. And so I think that's our challenge is just our customers are fairly complex and it's not just educating a company, but a group of individuals in that company.

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Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

So I'm pretty animated around this topic, and I mean we are winning from competitors we are up-selling. [indiscernible] (01:56:02).

Neil Spector
President, ISO, Verisk Analytics, Inc.

A

Yeah, Mark, I just wanted to add that we've been actively trying to take a much more holistic approach to our customers, as opposed to going out as individual product teams. Really, we've centralized our sales team here in the U.S., so we have fewer account executives that have fewer accounts, but more product, so they can take a more holistic approach as well. I was just at one of our largest customers yesterday, and we've had their whole claims executive team in and they were interested in, what are we doing across all of Verisk, even beyond claims? So they're interested as well in trying to broaden their discussion with us. So that's something that's top of mind for us and we continue to pursue that aggressively.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Toni Kaplan from Morgan Stanley. In the geographies that you mentioned you're focused on expanding into in the near-term and long-term, has anything changed with regard to access and ownership of data or the way that basically the government perceives? You're running your business in those countries within the insurance industries, et cetera, has anything changed basically in those countries to make it more favorable for you to expand in any of them? Thank you.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

So I'm going to ask my team to comment. I would tell you that, I'm not sure, from a data protection perspective, there are some new rules out there, so people are sensitive around that. But my view is data protection is not what's on their mind. What's on their mind is as growth on top line starts to slow, there is a flight to underwriting quality, right. So as you need to start worrying about profitability, you need to start thinking about better ways to underwrite price risk, and that becomes all the more kind of important in kind of more soft insurance times or soft market times. And at that point, I think what we're seeing is kind of a little bit of an influx where customers are calling us, wonderful, we have a presence, we're pushing on that. I think we have seen a turning of interest in the solutions we have in the United States that have helped those customers here. Anyone else like to comment?

Bill Churney
President, AIR Worldwide, Verisk Analytics, Inc.

A

I really have not seen changes or expansion of that outside of North America. I mean, most of the world outside of North America tends to view at least the U.S. as being somewhat cavalier with data, but it's not – I really haven't seen an enhanced level of need there that we're not already addressing.

Neil Spector
President, ISO, Verisk Analytics, Inc.

A

The only other thing I would add is that some countries require data that reside in country, and with the technology of cloud computing, that makes it much easier today, because you can have data that's physically located in the geography. So I think cloud computing has helped us.

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Bill Churney
President, AIR Worldwide, Verisk Analytics, Inc.

A

It's much easier to scale up and down as needed too.

Gunnar Hansen
Analyst, RBC Capital Markets

Q

All right. Gunnar Hansen, RBC. Just with the international expansion, I guess, with some of the successes you guys have had in the UK, do you see or envision a similar kind of M&A active strategy to expand into some of the other markets or have you guys had any success with global insurers kind of pulling you into new regions? Maybe kind of give us a flavor as to how you guys have been progressing [ph] in that from (01:59:18).

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Sure. So the question was a little bit around kind of the way we see acquisitions. I think what we always like to start with is, all acquisitions flow from a strategy, so I think each of our leaders has a view as to how they want to go-to-market and what they think will help them do that, whether it's technical presence, whether it's data and region, and as we move forward, it's can we build it or do we need to buy it. So what you hopefully saw today was the acquisitions we've done historically have kind of enabled that vision. What we should do is accelerate growth. Our channels get accelerated growth, maybe we can bring it to United States. And I think it's an overall good set of news when we're able to do an acquisition to fulfill some of the strategic direction.

I think maybe an example, if you don't mind, I did it quickly, but I think the most recent one is Rebmark. Do you want to spend a couple of seconds as to what we're thinking, as we would think about COA and Rebmark?

Bill Churney
President, AIR Worldwide, Verisk Analytics, Inc.

A

Sure. So Mark mentioned Rebmark. It's a UK company that provides services to insurers and to the legal community within UK around high-value injury claims. So in that example, we thought it's great technology, it's great analytics. It helps expand our footprint in the UK market, both with insurers as well as a new market for us potentially with the legal community, which where we don't have a presence today. So we saw that as good news. And then taking that solution and seeing where else – what other markets could we bring that into the U.S. as well, where we may have the opportunity to provide support to U.S. insurers on those high-value catastrophe injury claims.

So that – you also made the point about following our customer, so that's another part of our strategy as well. I mentioned that earlier that we have customers who operate in multiple markets, and they're coming to us in any cases saying we use your tools here and we like to use it in other markets as well. We'd like to actually use it globally to the extent it's applicable. Now, we've made the point, I think, in other meetings that insurance is not necessarily global. It's more multi-domestic. The nuances are different market by market in how claims get settled, how policies get underwritten. So it's always looking at where is there a fit, we don't want to force-fit a solution into a market where it doesn't apply, but we think there is plenty of opportunities to do that, to follow our customers and extend our product to additional geographies that they're operating in.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

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Bill, if you don't mind, one of the things that we've done – I think you explained the acquisitions well. But there is a – tie into some of the things we're doing with Lloyds, [indiscernible] (02:02:07) maybe just kind of share some work that we're doing, how that kind of extends out.

Bill Churney
President, AIR Worldwide, Verisk Analytics, Inc.
A

Sure. With respect to that, I think in some of the new areas where we've been, some of casualty and cyber, Lloyds as an organization does a very nice job, they have to do a nice job managing all the syndicates. So they've been very much a thought-leader in trying to push the syndicates to have better analytics. So how are you managing your casualty and cyber risk. We've done a number of joint – we've done a joint white paper on the casualty piece. We're getting ready to get something out on the cyber, which I think will be very interesting to kind of quantify some of the impacts. But that kind of helps drive and raise the appreciation level of those new types of analytics, and that's kind of – what's interesting I think with cyber and casualty is it's kind of start in London, and then we're now bringing it to the U.S. working with your teams and they're starting to get a better appreciation of it.

One other comment I'd make kind of goes back to the property piece though is, [ph] kind of talking about (02:03:02) global clients kind of pulling us along, we've got models in all these countries as we talked about, but now the global insurers are better able to use the analytics, because we're doing the global property component as well. So if you could give me better data, I can really take advantage of these models at the point of underwriting and do better analytics, which [indiscernible] (02:03:23).

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

Thanks, Bill. Maybe to the last point, Jeff, anything that would prevent what we're doing here in the United States to be extended?

Jeffrey C. Taylor
President-Geomni, Verisk Analytics, Inc.
A

No. Just to add on the international expansion, we mentioned the UAV capability literally around the world in over 30 countries and we certainly could expand that wherever needed. We also have strong partnerships with the geospatial data and remote sensing community in general. There's large companies like PASCO, like Google, that we can leverage and get access to data, the geo-information group that Neil mentioned. So we're definitely poised to apply everything we have and certainly the algorithms don't care about language or culture. We can come up with the dimensions, the materials, and the risk factors very easily. So we're excited to use that as a tip of the spear as we expand.

Charles Gregory Peters
Analyst, Raymond James & Associates, Inc.
Q

Greg Peters with Raymond James. You've laid out a pretty compelling argument that you'll have success with organic revenue growth. I was hoping maybe you could reconcile your outlook with some of the rhetoric we hear from the insurance industry. For example, last month I was at the Travelers claim center in Hartford and they talked about how they're in-sourcing all of their drone activity and they're trying to do more with their own in-source functions rather than use outsourced services. And then Allstate, for example, is rolling out Arity, which is their own data analytics and data science operation, so they can harvest and sell their own data.

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Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Yeah, super. So we can view that. I mean, first of all, when anyone says they're taking an interest in spending some money around data analytics, a first conversation they typically have is with us. I mean, it doesn't come from thin air. So I think we sometimes provide a complete solution, in some cases we find pieces. Let's talk a little bit about kind of the claims analytics and some of the teams that have been in town recently. So Mike, Rich, if you don't mind.

Richard Della Rocca
President, ISO Claims Analytics, Verisk Analytics, Inc.

A

Sure. So a great example – and you're right, different companies are taking different approaches to how they want to spend their money and how they want to build analytics, and you cite some good examples. Some of the larger carriers have very robust analytic teams that want to build their own models. We're supplying to them, I talked about some of our fraud models that we developed inside a ClaimSearch, where we're supplying to some of those large carriers what we call smart features. So it's not the model, because their folks want to build their own model, but what we can provide are components to that model that rely on the industry data that we have that they don't have access to and they can then embed those components inside of their own internal models.

So we have solutions for companies that are interested in the full modeling suite, as well as those that have their own internal capabilities, and we can provide components to them to support them as well. So it's not an either/or. There's that middle ground in there that we can – we certainly are actively supporting.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Anyone else? Please.

A

And you mentioned Travelers and actually many carriers, I think Mike mentioned during our session that we supply a do-it-yourself kit that includes, if you want a component such as the drone itself, the software that runs on a variety of platforms, including your mobile device that you can – we have a solution that essentially you push a button, because of our baseline understanding, the drone already knows what to do, it goes up, it flies, it lands, and the data goes to the cloud. You can also walk around the outside on the ground to get that understanding. And all of the carriers are looking at either a service model or a do-it-yourself model, but we still have to supply all the technology for them to facilitate that and for them to plug into the claims and underwriting platforms.

Another thing that, in general, that companies like Travelers care about, you have to essentially track every flight of a drone for FAA reasons, and that's a huge undertaking. We have a system that just does that essentially for you, and they're excited about that. So we're really trying to just say yes to our customers, regardless of the approach they want to take, and then to build upon it and to add more value to whatever they're doing. We will certainly sell just raw imagery to them that we think we can at get the best price, best quality, best refresh, and then build around it with all of our solutions and our additional analytics.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

I think we have one last question. We're kind of running out of time. You should have sat upfront.

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George Tong
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. George Tong with Goldman Sachs. A big focus this morning has been expansion of your insurance solutions outside of your immediate markets, for example, cyber and global marine and cargo. Can you talk about what investments are required to achieve your growth objectives and how these investments compare with your prior investment initiatives, capital innovations, 20-plus various new product goals and how they compare, what's incremental?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Yeah. So let me start with that one and feel free. The first answer is, I think what we've done over the last several years is we've really refreshed and reinvigorated a lot of our, what I'll call, historic platforms, whether it's the ClaimSearch platform, Rich kind of showed it, even the ISO platform we've done it, and Xactware continues to put a lot of money into investment.

So, to answer your point, I do not see any increased investment as we look forward. I think we will continue to be looking to be very thoughtful about when and how we invest. But our teams would say to you that we're ready and poised to execute with not any incremental investment going forward. So that kind of gives us a view of kind of some optimism as we go forward from cash flow perspective as well. Mike, I think the biggest investment, as I think about it, is a lot of the work we do in next gen in trying to go global. You want to spend maybe a couple of seconds on next gen.

Mike Fulton
President-Xactware Solutions, Verisk Analytics, Inc.

A

So we've had a historic product that has been out there for a number of years and has evolved significantly. But we've had three core products between our property estimating, our personal property estimating, so the structure of the things inside the structure and then the claims management tool kind of developed into individual silos. We're going through a complete refactoring of that tool set, bringing them all together. At this point the first phase of which – and taking a couple of different paths from a domestic perspective and international, because those needs are a little bit different, first phase of which domestically was released just a couple of months ago. First phase on the international side will be released late in 2018. That should help us target that growth that we need, which we expect to grow much more than double going forward.

But that's our major investment going forward. And we talked a little bit about how we expect to deploy with regard to some of these new markets. I really expect as the industry shifts from more of the conventional estimating to more of the automated, it's just a shifting of resources from those that are doing this type of thing over to those that are taking care of the analytics and building those automated algorithms.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Well, super. Thank you very much. We appreciate the opportunity to talk to you about things that we're excited about, and I'll turn it back over to our next presenter. So, I think we're going to exit.

David E. Cohen
Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

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Thank you, Mark, Bill, Rich, Mike, Neil, and Jeff. Hopefully all agree that our insurance businesses are outstanding and truly distinctive. The good news is that we have other truly distinctive businesses. And next up, Neal Anderson, President of Wood Mackenzie, is going to talk about the power to grow.

Neal Anderson

President, Wood Mackenzie, Verisk Analytics, Inc.

Thank you, David. Pleasure to be with you folks. What I'm going to do this morning is reacquaint you with Wood Mackenzie, talk about the business model, talk about the client perception of Wood Mackenzie, talk about the markets and what we've been through the last couple of years and where we see the markets going. And then the primary focus will be on, where we want take this wonderful business and how we want to evolve it and how we want to grow it over the medium and long term.

So just reacquainting you with the business. This is Wood Mackenzie's vision for the business, couple of things I want to point out. Worlds, we're a global organization. You've heard lots of conversations this morning about taking insurance global. Wood Mackenzie's already global. And as you know, our friends and the sister companies of risk are leveraging off our global footprint. Trusted partner is absolutely critical. It always has been for Wood Mackenzie. It will be going forward, because of some of the cool things we want to do leveraging off what our sister folks doing in all our companies in Verisk. Our sand box, as you know, is natural resources and the key thing that we do it with Wood Mackenzie is we help clients make better decisions. It has to be action oriented.

So coming back to the Wood Mackenzie business model, this pie chart shows our subscription business, our consulting business, and then our new content areas, which we're really excited about and we'll talk about in a little bit more detail. We're taking it up a higher level than that. We're basically just north of 80% subscription, slightly less than 20% consulting. On the subscription side, we've got a phenomenal retention rate with clients, 97%. We've got very, very sticky solutions, as best evidenced over the last three years in terms of what the market's been doing. Scott in the last earnings call referred to annual contract value of 5%. That business is growing and growing robustly.

The consulting business, we look at the consulting business as almost akin to paid R&D. Our consultants are very close to the market and very, very close to clients. They understand new emerging trends. They monetize those trends. We then commoditize them in the core subscription business. And we'll talk about one example we're particularly excited about to bring that to life for you.

And it's also phenomenal brand, because the consulting business is typically up at the C-suite. That increases awareness of Wood Mackenzie how it adds value to the clients. That also helps when there's a big renewal research contract to sign-off on. And then the new content areas, subsurface, chemicals, power and renewables, we'll talk a little bit more about them in terms of high – what were the genesis of those businesses, primarily a series of tuck-in acquisitions and where we want to take those businesses.

So I want to give you the client perspective on Wood Mackenzie. And what clients tell us and what we're also talking to clients, they value that global perspective. And it's never been more important than energy, mining and metals, and chems to have a global perspective informed by a local insight. The best example I can give you of that is, there's a basin in West Texas called the Permian. You've heard of shale tight oil. That basin is driving global supply and hence price.

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Everywhere I travel around the world and I talk to people about oil price where is it going, everybody wants to know what's happening in the Permian. So it's absolutely critical. You have that global perspective, but it has to be informed by what's happening on the ground in those local markets.

Second thing that we think distinguishes our self. When you look at energy, it is truly a value chain for feedstock from oil and gas, going the whole way through to midstream, downstream, refining, and chemicals. And we have a position right across that value chain, which gives you unique insight, and we'll talk a little bit more about that as well.

The third thing we do is, we combine what Wood Mackenzie has always been known for is that commercial insight with increasing technical understanding, and that's what the subsurface new content area is all about. And then the last point I want to raise, this is something that clients repeat to us time and time and time again, what differentiates Wood McKenzie is the quality of your people and the quality of your analysts, and the access that the clients get to them. And then just to give you a little bit of a truth point, as you can see to the right in this chart, there's a Net Promoter Score that's been increasing over the last couple of years up to 39.

On the market side, as you folks know with the correction in oil price over the last two, three years, the energy business is going through a fundamental change, and this chart that you see here in front of me is typically a chart that our clients would use in IR presentations. And it's built up from Wood Mackenzie's proprietary data sets and we model over 8,000 oil and gas fields globally in a discounted cash flow analysis. And what this is doing for each of those companies listed there, looking at their portfolio, looking at those individual assets and calculating what oil price do they need to generate $1 of free cash flow?

And really what I'm trying to illustrate here is how that breakeven cash flow price has changed over the last two, three years from north of $90 down to currently around $53. And the point that I'm really trying to make is the industry has done a phenomenal job at rebasing its costs, so that we don't need $80, $90, or $100 a barrel for this business to thrive, as evidenced by the analysis, and also as evidenced by their Q3 results, this business is coming back. Analysts are asking the companies, where is your next growth opportunity? How are you thinking about developing your business? So the worst is over in terms of where the market is.

So that's the context Wood Mackenzie reacquaint with the business model, talking about clients, talking about the market. What I really want to focus my conversation on is where we want to take this great business over the medium and long term. And there are essentially five strategic drivers that we're looking at. One is, how we re-platform our data, and then in turn the cool apps that we develop off the back of that, the new analytical platform we developed.

The second one is something that we've always done here at Wood Mackenzie is look at new content areas, namely the subsurface, the geology, chemicals, and also power and renewables. Third thing that we're looking at is leveraging off the expertise of Verisk and also the sister companies to apply advanced data analytic techniques to the energy space. The fourth thing we're looking at is how we continue to optimize our sales model, particularly in view of the increased number of clients we've acquired over the last two, three years, and how we more effectively sell to them. On all of that, we will be continuing to look at the M&A landscape and when there's something that makes sense and fits perfectly with those strategic drivers, of course, we'll have a look at it.

So the first one of those is we're looking at the data and how we think about data, and then also the cool apps that we build on top of this. And I want to give you two perspectives on this, and the first one is the most important one is from the client side. And the clients tell us they want to have more real time updates. They want to have a truly integrated platform. I talked before about upstream, midstream, downstream, they want to be able to play right

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along that continuum without cut and paste and moving from different systems. They wanted to be able to work on their laptop, iPad, iPhone. They wanted to be dynamic. So, if they don't like our models, they can quickly change assumptions and recalculate the outcomes, and that's something that we're currently working on at the moment. From the internal perspective, I'm equally excited by this because of the efficiencies this will bring to Wood Mackenzie, and hence, of course, what you're interested in terms of how it enhances our margins.

Second point that we talked about were the new content areas. Just to give you some confidence in terms of the upside with these new content areas, here are the TAMs for three of them, and a little bit of context. I think Steve last year talked about a total TAM for the Wood McKenzie business of something like $5.5 billion. These are select areas within that. And the first one that you see is our core business, and we estimate the TAM of about $1 billion, and we think that's continuing to grow as clients think about advanced data analytics that we talked about.

The other three areas that we're looking at, subsurface we think the TAM is in the order of $1 billion and we have barely penetrated that. We think we have a unique offering there, because how we're helping the clients think about it is, not just the yet to find resource potential of oil and gas, but we're marrying that with our [ph] renowned (02:21:56) commercial analysis, can they make money out of those resources that they have discovered. So that's a beautiful illustration of the technical plus the commercial.

On the power and renewable space, this business is built out of the acquisition couple years ago of Greentech Media out of Boston, and then also the MAKE acquisition six, seven months ago out of Denmark in terms of the wind side. And we've combined that with our existing power offering to give you something pretty unique, and we'll talk about that a little bit further on.

And then the last here that we're really excited about is the chemicals piece, which is right along that value chain component and it's right at the end and right on the end user side, and that's how we think we'll differentiate ourselves in that space. And that's what clients are telling us that we differentiate ourselves on.

The third strategic driver I talked about was leveraging off the expertise of risk is applying data, advanced data analytics. And as you know from Wood McKenzie, we have unique data sets that we have acquired over the last 43 years, which we're going to start to apply those techniques to. We have deep domain expertise, so we really understand the business and understand then how we can solve the questions that the clients are asking.

We have great credibility in this space and we like to start thinking about the same kinds of things that the sister companies of Verisk in terms of contributing data sets, and that's where the trust component comes through in the vision. And we're starting to engage clients with this and the clients are receptive to this. You talk to any of the clients in energy, mining, metals and chems, they are starting to think about how can we apply advanced data analytics, how is it going to help us better drive our business?

The fourth component is really looking out our sales model. WoodMac's traditional sales model is very high touch, very account-based, looking at that top 20% of clients, and that has worked really, really, really well for Wood Mackenzie in the past and it will continue to work really, really well. And those new content areas that I mentioned, such as subsurface, P&R and chemicals, were already successfully cross-selling new solutions into those core clients. And we continue to work on that.

But what we've also done over the last two, three years through those various acquisitions is dramatically increased our number of clients. And what we're working on is a much more efficient way of marketing, selling, and serving those clients through different channels, different approaches.

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So that's where we're going to take the business. In terms of how we're going to execute that, we have developed a brand new leadership team at Wood Mackenzie. So folks in these key leadership positions, probably the oldest tenure in their role has been two years and we have looked at the best talent internally within Wood Mackenzie, have filled four of the slots, and we've also selectively looked externally to get the right talent on board and they have filled in all four of those slots. So we're very, very confident that we have the right team to execute on this strategy.

And this team is already delivering. So this slide highlights three or four of the things that we've already launched over the last three, four months. The first one top left is our new public website and e-commerce platform, which is absolutely critical to that third dimension in terms of how we evolve our sales strategy, our new channels.

Top right, we have Upstream Corporate Valuation (sic) [Upstream Company Valuations] (02:25:49) tool, which has taken our core valuation expertise and bringing it online, and allow clients and us to do real time updates.

Bottom left, if you had an opportunity to look at the solutions outside, Jonathan's working through the new Contour tool. That is a tangible manifestation in terms of cloud-based, intuitive user interface, and a dynamic model. So we're already starting to deliver upon this strategy. And then bottom right is our project we're very particularly proud of, which demonstrates why we have a consulting business. This E2MAS project is for a major Middle Eastern client and we are developing for them global supply models. And we will take derivations of those supply models and then we will use them in our core research going forward. So it's a classic example of paid R&D.

Just also to bring alive some of the Wood Mackenzie solutions that we're bringing to clients. As you can imagine, front and center of every one's clients' mind is oil price and where is it going. This is our oil price, supply tool and this looks at every single asset in the world, model, as I said, in a DCF basis, so the clients can play with sensitivities in terms of cost inflation, deflation, look at markets, look at accessibility markets to inform their view as to where they think oil price is going to go.

I told you earlier, I was really excited about some of the new content areas. The power and renewable space is a really fascinating space, and it's critical for Wood Mackenzie as we think about medium/long-term growth of the business. And it's critical that we understand the whole decarbonization theme and how renewable plays a part in that, because we have to be able to advise and help our clients with that. And it certainly future proofs Wood Mackenzie as we make this migration away from fossil fuels.

And as I mentioned, this business is based on Greentech Media out of Boston and MAKE out of Denmark. So what we have is global solution solar, wind, smart grid, and storage. We have combined that with our existing regional power modeling, and then we've got a macro view right on top of that in terms of things like where electric vehicles are going to go, et cetera. We rolled out this new holistic offering to clients at a conference two, three weeks ago in Austin, Texas. The response was superb and that business is growing and growing robustly.

The other area that we're really keen on is continuing right along that value chain to the very end on the chemicals side. And we like the chemical space, because chemicals has been growing consistently higher than global GDP. There's always demand for it. And we think marrying our feedstock view with the end user view gives us, again, a unique perspective in polymers, fibers, et cetera, and again robust growth from that business this year.

Penultimate slide here and this is, as you're all aware with the correction in oil price over the last three years and just to give you a sense of perspective on that correction in oil price, from $150 down to $36 was the largest decrease in oil price we have seen since we moved from whale oil to hydrocarbons, okay, the magnitude of that change and its impact at Wood Mackenzie. So you've heard me talk about the credibility that we have, the

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wonderful franchise we have, the stickability, and have given – thrown some numbers at you, to me this chart illustrates it beautifully. And I would focus you in on the orange piece and this is our organic constant currency revenue performance compared to our leading competitor. And we have consistently outperformed them either between 6% and 10% over the last three years. So I may say wonderful fine words about how stickable and reliable and everything we are, that is the ultimate stress test of Wood Mackenzie and Wood Mackenzie's model on how we perform relative to our peers.

Last slide, power to grow, I hope you share my enthusiasm for the business, the uniqueness of the franchise that we've talked about, and I also hope you share my enthusiasm of where we want to take this wonderful business and how we're uniquely placed to exploit that both in the data and the platform inside the new content areas, the sales models, and advanced data analytics.

With that, I wanted to open it up to any questions.

QUESTION AND ANSWER SECTION

Q

Thanks. So just back on the last slide, it looks like, it showed 1% organic constant currency growth year-to-date and that's with oil prices have recovered pretty nicely. So just wondering, is the industry in a place where you can start to rejuvenate growth, what will it take to get those growth numbers back to your historical levels?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yes. The conversations that we're having with clients over the last couple of years any of the renewals in the subscription side, it's been all about cost and price. And we've been unable to grow through that period is because of competitive displacement. So, yes, we understand that you want to shrink the overall spend with all your content data providers. What we've been doing is aggressively taking market share from other folks, so that we've been able to grow in this environment. The really interesting thing over the last probably three months to six months is, there is much more interesting conversations with clients rather than just survive the downturn. They're starting to adopt and they're starting to think about growth. So that's where we're more confident about next year and the following years in terms of as they think about how they're going to grow their business that plays beautifully into Wood Mackenzie's portfolio products.

Q

Thanks. I guess for the energy technical. I understand the point that your commercial data is a differentiating point. But can you talk about what subsurface data you have and do you mostly need to displace the existing incumbent or incumbents to get after the addressable market there?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Sure. So the key components of the subsurface play are primarily well data. And we believe we have a comparable number of wells as compared to our leading competitor in this space. And what we're very much

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focused on then is looking at the subsurface part of that. So, reservoirs and the geology and the rock properties of that. And we have been aggressively pursuing that type of data over the last two years, three years.

What we're trying to do with clients is show them that Wood Mackenzie it's just not an either or, but with it we offer something different and that difference is combining the technical with the commercial. So if I relay a story of a client in Asia, where we successfully displaced the incumbent, our pitch was it's not just about going out and looking at the exploration potential and discovering resources, it's about figuring out where those resources are, what's the fiscal regime like, what's the cost structure like, what's the distance to market, namely how do you commercialize, I mean how do you turn those potential discovered resources into dollars. And that really resonated with the client. So we successfully displaced the incumbent a notch or pitch going forward.

Q

How important is pricing to the client decision-making? How aggressive have you been from a pricing perspective? How critical is that to the organic growth story? And then secondly, I know you highlighted this in the general comments, but just can you call out specific product areas that you think are driving the growth in product areas where you think you have significant competitive advantage?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah.

Q

Thank you.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

First question in terms of price. Price has been – and again, we've got a broad suite of clients, okay from the big oil and gas companies to an investment banks through to utilities, through the governments, through the national oil companies. And each of them behave differently in terms of this downturn. So, the major oil companies, the E&Ps have been very sensitive to price. What our sales folks have been doing has been very, very creative, as I mentioned before in terms of how we look at helping the client without cost pressure by looking at a more integrated solution from Wood McKenzie on in turn displacing the competition. Other clients segments have been less sensitive to price. So, we have been able to up-sell, on other folks we have been aggressively growing after in cross-sell.

In terms of particular segments, our core business is in the upstream side, and our core business on our commercial piece has been unique in the marketplace for a long time. And we are continually evolving that business, and pushing that business as you saw one of the examples, I used was upstream corporate valuation, that's one of our core competency areas and that's why we continue to involve that.

Gunnar Hansen
Analyst, RBC Capital Markets

Q

Hi, Gunnar Hansen, RBC. Just in terms of the sales strategy maybe give us some insight in terms of particularly with some of the smaller customers that you guys are now targeting or more targeting now. Do you think you're

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fully staffed and have the sales structure in place now to support the growth and resources there or are there additional head count or capabilities, management whatever that needs to be put in place or maybe tailored products or services that are more tailored to the smaller customers and tell us where you are in that?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah, sure. Happy to. First of all, on the product and services, [indiscernible] (02:36:00) said about the analytical platform, it will be very modular. And the modular nature lends itself to selling to that [ph] tail (02:36:08) you have a lower pricing point. In terms of where we are, I don't think we need a lot of new head count to appeal to that [ph] tail (02:36:15). We certainly are in the process of bringing in new skill sets. So looking out in terms of how we look at digital marketing, the whole way through. And the beauty as you know selling to that [ph] tail (02:36:29) is automating out as much as possible. So we're using things like Pardot from Salesforce to terms of how we actually automate the campaigns to reach out to those folks. So really what we're talking about is an inside sales really like touch automated sales process. So it's more skills than people.

Q

I'm curious on your macro slide on oil prices. I guess, today's focus is amongst many is around capital allocation. What would you guess the oil price would need to be for those companies to actually earn a reasonable return on their capital as opposed to just a $1 of free cash flow?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

If you look at the Q3 results from all the major oil companies, on a caveat what I'm about to say because that analysis was just looking at the upstream E&P side. But when you look at the BPs, the Shales, et cetera, over this world, we've got a really strong midstream and downstream position. And you look at their keenness to participate in share buybacks and you look at their keenness to increase dividend, I think we're getting there, in terms of oil price that they can grow their business and give a decent return on capital.

Alex Kramm
Analyst, UBS Securities LLC

Q

Yes. Thank you. Alex Kramm, UBS. Can you just give us an update on the subscription base in the business, maybe you talked about this before, but where are we right now with the renewals or cancellations over the last year, I think there has been some long-term contracts, are we essentially through all of this now as we see energy, I guess, crisis headwinds? And then, just in general, can you just remind us what the average subscription length is now? Has it changed over the last few years at all or is the environment changing how customers want to renew, when I think about length of subscription?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah, sure. Typically, clients look at – it's typically a calendar year. So, our renewals are usually to run this time early into the New Year. And in terms of how they're going, I'll quote Scott's number of annual contract value of 5% Q3 results, okay. In terms of clients' attitude to multiyear deals, that's really a negotiation between us and them in terms of the commerciality of that. So what we will typically try and do is try and have multiyear contracts, but with a decent inflator. And sometimes they are open to that and sometimes they may not be, but that's

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typically been our strategy to lock in as much revenue as we can at an attractive price and with an attractive [indiscernible] (02:39:10).

Alex Kramm
Analyst, UBS Securities LLC

Q

Thank you. You put up the Net Promoter Score and 36 is – it's decent, but it's not amazing. What are the types of things that customers are looking for more of that you're learning from those conversations?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah, yeah. The score was actually 39. Listen I'll squeeze 3 wherever I can. What customers are asking for, and it's a great question, is one of them said about where we wanted to go with analytical platform. We want more timely updates, we want it to work it on a laptop, iPad, cell phone. We want to have your data, make it much more fungible, so that we can use it within our own systems, marry it with other datasets. We want to make it more dynamic and that's why we're in the process of doing that. So, things like Contour and the [ph] demo outside, (02:40:08) that's a manifestation of where we're going. So we're very much listening to customers what they want and we're responding to that.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi, it's Andrew Steinerman of JPMorgan. I think on WoodMac, last year, we saw a subscriber count of 2,000 subscribers and then when I look at the slide that you had here today, if I read the chart right, I think it's 2,200, it's a little hard to read, if that's what the chart means.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah. Spot on.

Andrew Charles Steinerman
Analyst, JPMorgan Securities LLC

Q

And so, my question is, are we organically growing number of customers at WoodMac or did that come from the two acquisitions since last year? I'm talking about slide 78.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah. You're spot on in terms of [indiscernible] (02:40:54) number of clients, it's in that order of 2,200 and the big change in the number of clients from 600, 700 to 2,200 was primarily driven by a series of acquisitions. So, if you recall, our chemicals business is based on our legacy chems piece plus PCI acquisitions a couple of years ago, that increased the number of clients. Obviously, GTM and MAKE did the same thing and then Quest and Infield on the upstream supply chain side.

Q

[indiscernible] (02:41:22)

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Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Absolutely. And, to me, that's a really exciting part of what that is because those clients [indiscernible] (02:41:28) Wood Mackenzie, if we really would not top-sell and cross-sell them something, but we have to do it in a really efficient manner. We can't do the high-touch that we've done before [indiscernible] (02:41:42).

Q

Maybe, if you could just touch on the synergy between the WoodMac asset and the rest of Verisk's portfolio, particularly where are you in terms of revenue synergies, if there are any? Thank you.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

I think there is a couple of things that I'm particularly excited by. One is, Wood Mackenzie has got a global footprint, we've got 29 offices. And a lot of the excitement you've heard from the previous discussions all around the UK, where obviously that was historically been our home. So, we have a well-established global footprint, so that if any of our colleagues want to set up shop, be it and anywhere from Tokyo, Beijing, Singapore, the whole way through to Buenos Aires, we have offices there and we have the infrastructure there and we understand how to do business in those countries, and that's a phenomenal asset for the rest of our sister companies within Verisk.

The piece, then coming back to my business, that I'm really excited about Verisk is that advanced data analytics. We have been pushing that with clients for the last two, three years. And it's only in the last six months [ph] that, that is (02:43:03) really resonating with them, and they're really getting the importance of that, and we're really gaining traction with them. That's the bit that I'm really excited by.

Q

Hey. Hi. I just wanted to follow up on the slide of – the outperformance over the past few years. Just curious, if you would attribute that to the difference in sort of your structural service offering of being a combination of commercial and technical versus your larger competitors or other competitors in this space, just any color on how you've been able to grow and maintain share as well as increase share. Thanks.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Yeah. I think that performance over the last three years and, again, just to be clear why I put that slide up, we all want organic growth way, way higher than that, okay, and we all expect organic growth higher than that, but it's just to give you a relative sense as to what's been happening in the market and the challenges in the market. I think, why we've been able to retain business successfully over the last three years is those four things that I talked about, we're truly global, we're truly integrated, we're combining the technical with the commercial, but last but not least, it's the quality of our people. And those relationships that we have fostered over four decades have really come to fruition for us.

Do you want to give it a go? Yeah.

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George Tong
Analyst, Goldman Sachs & Co. LLC

Q

Thank you. George Tong with Goldman Sachs.

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Thanks for your patience.

George Tong
Analyst, Goldman Sachs & Co. LLC

Q

Can you – the financial performance that you provided deconstruct the performance into upstream, midstream and downstream and talk about how the renewals year-to-date have performed in those various categories?

Neal Anderson
President, Wood Mackenzie, Verisk Analytics, Inc.

A

Happy to talk about that in generalities. Our upstream business is the majority of our business, okay? So, when you see those results, you can see that that's driving the performance there. The great thing about our wider business is when you look at things like our mining and metals business, that has bounced back strongly over the last two, three years and that's just a function of the commodity cycle. As you know, the metals piece come out of that, [indiscernible] (02:45:36) turn a lot quicker than it did for the oil and gas side.

And then the piece that I'm really excited about are those three breakouts that we talked, the new content areas, sub-surface, chemicals and power and renewables. Their growth this year has been really robust, which makes me excited about where we're going over the medium to long term, allied with the client response to those offerings. Because, as I said before, they're distinct, that's not a me-too, they're distinct too much in the marketplace.

Time for another question or – no, we don't. Thank you.

[indiscernible] (02:46:22) to Nana Banerjee, Group President of Verisk, he's going to talk about the financial services with you.

Nana Banerjee
Group President, Verisk Analytics, Inc.

No worries. Good morning, delighted to be back and have the opportunity to speak to you again. I'm particularly delighted to have two of my colleagues, Michael Bopp, who is the President of Argus, and Chris Lundquist, who is the Head of our G2 and LCI businesses, who are here and will be joining me for our Q&A session.

I'll jump into kind of the big elephant in the room. We're coming out of what was a slow, flat disappointing year for many who have been used to seeing some spectacular growth years over the past few years and would want to know what's going to be different, why should you be optimistic as I am and all my colleagues are about the business. And also, give you an insight into the robustness of the core business as it stands today and what we're headed for the – in the future.

So a few metrics to the left, if we look at our core client retention, that has improved. We are adding more clients and this does not include kind of the clients we're adding through acquisition, this is core. And there is success

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that is building up into 2018 and beyond through some of these metrics we have put together. We've got, just in the last three months, eight significant sized, multi-year, multimillion dollar contracts that will have a bearing into our future kind of coming quarters.

We have – we're going to start 2018 $13 million ahead in our sold bookings over what we started 2017 on. That's a robust position to start the year with relative to 2017 and that makes us feel better, again, and confident. We're also in a very sound position with our core clientele which have been the top banks. As is often the question, how are you doing with your biggest banks and your core relationships? We stand solid. We have all the majors in all the major markets we serve, and that's one of our big reasons for uniqueness, proprietary data source to everything we do to serve back our clients.

And having the power of Fintellix, G2, LCI, three really solid acquisitions this past year, gives us some synergy opportunities that I will be talking about and will and as you would expect drive or propel even more of that future growth that we are optimistic about.

During one of our breaks, one of our guests asked me what do you think are some of the core elements of Argus that are misunderstood? And, kind of, I was taken aback, but then I also thought probably the best way to describe that is when we talk about Argus, we talk about the data sets, the unique and proprietary data sets. We talk about the subject matter expertise, we talk about the subscription nature of a lot of our core solutions.

What we often overemphasize and therefore de-emphasize some other aspects are the nature of the data sets. And often there's a lot of overemphasis on the blue dialed data sets that are the payment data sets. Data sets that we are building as a consortia syndicate from retail banks, issuers and lenders, payment networks, payment processors, so there's a lot of emphasis on the payment data.

And it's true, there is no other company that has this comprehensive, complete, deep data set on payments as we do. Thanks to the nature of this consortia. But that also lands up missing out on what an amazing mosaic of data sets, and rich and deep data sets we have built on top of that payment data sets.

And frankly, the blue dials are actually attracting a lot of these other forms of data sets coming into this Argus environment or ecosystem from our partners. And we have about 18 global, big, kind of major entities in themselves kind of companies that have joined our ecosystem often with the traction of, if we brought our data assets together, there will be new classes of problems we can solve together. And that is obviously attractive to us. But that story is perhaps one of the untold stories and we chose to tell that story today in kind of a more emphasized manner.

In our data sets, we have credit bureau data of some of the biggest credit bureau companies that are anonymized, but detailed enough to represent all trades associated with individual and small business loans. We have talked about television panels and national, local cable televisions before. But we perhaps have deemphasized the digital media data and the large scale nature and the fast-growing nature of digital media over television. There is wealth and annuity data, property data, geo-spatial and mobility data that is literally kind of cell phone pings, socio-demographic data that covers over 700 attributes of individuals and households, and then retailers and merchant data including SKU data from several of our participating partners and clients, and then payroll and income data.

When you put it all together, this is kind of you're going well beyond the blue tiles of more complete. You're talking about a data set that is inconceivable, unprecedented and awesome in what it can and does do. And then, of course, comes with a lot of responsibility and constrained by the way in nature of what we have built. One of

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those core constraints is, we always are focused on protecting the interests and – of the contributors and ensuring the value they get in return of participating in this broad ecosystem. That cannot be undermined. It's very easy to overemphasize this powerful data set, but perhaps easier also to miss out on that. It comes with a lot of responsibility. That's a tampering factor.

The second aspect is, all of this data in its awesome capacity is anonymized, and inherently, therefore, meant to be used for analytics, not to be a marketing source or a list that we pull out and go sell individual names for an X, Y, Z activity. It is literally for analytical use and, therefore, the outputs are invariably aggregated or scored models, profiles, algorithms. We do not come out with here names. We have partners that do do that. Our algorithms get applied on our partner data sets to pull out names, but we, Argus in this case, not the source of individual names and I hope that differentiation came out.

I'll talk a little bit about the two very impressive acquisitions we made. I'll start with G2. It's Bellevue, Washington based company that focuses on identifying illicit merchants, hate propaganda, transactional laundering associated with – primarily with e-commerce merchants. But there is a potential for taking it well beyond e-commerce. And what – and there is a demo kiosk outside and hopefully you have a chance to stop by with Dan Frechtling, who is Managing Director of Product and Marketing will be there to walk you through what it does today.

The star attraction for us is, bring in G2 into the fold of Argus for us with the synergy option and those synergies come in the form of our ability to identify transaction launderers, illicit merchants, our ability to classify content of merchants, and then our ability to rate merchants. So, I'm not going to walk you through all of those, but I'll pick on a couple of examples just to make it come alive as to how does that synergy work.

G2, and if you had a chance to go by the kiosk, you would have heard Dan talk about our ability to use crawling data, our ability to have learnt from the experience of identifying the bad merchants and the bad proprietors to identify future or existing or currently open bad merchants. And we use dummy credit cards to actually build that proof or the dossier of who is actually involved in that transaction.

Often, these illicit merchants use a front that is – that is a fair merchant, it is not doing illegal activities, but there is a leakage of illicit activity merchant who is transacting or getting his payments through a reasonable merchant or a fair merchant. And therefore, if I was a customer wanting to buy from the illegal merchant, I am going to get in my statement perhaps a transaction from a fair merchant. And that is how the bad merchant hides themselves from a fair merchant. I hope I make sense.

By the combination of the payment data that Argus has and G2 has, we can now draw the link between who is the front of the bad merchants. That was the problem that was previously unsolved, and that is worth a lot. And I think I can go into some of the other examples, but in the interest of time, I'm going to keep moving. But hopefully, you get a feel for the power of bringing these capabilities and their assets together.

LCI is a Burlingame, California based company, its founder is Chris Lundquist, focuses on loss mitigation and case management and particularly on bankruptcy case management. And the synergy case there was kind of very much core into the fair way of Argus' core solutions of helping banks and lenders and issuers improve not only their bankruptcy cases that have happened, but improve their ability to identify the nature of the bankruptcies and the fault lines underneath their portfolios associated with what other kinds of bankruptcies that their customer bases are most vulnerable to.

And to be able to anticipate that allows them to go address those solutions, their ample scoring methodology, but by bringing our data sets together, we are able to build those predictive solutions in a one-stop shop which was

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again previously not done. There is a significant opportunity for they taking these solutions beyond the world of banking into the medical space which has increasingly become a frontier for taking short-term risk whether the hospitals or the providers are taking the risk of this unpaid service, cable companies where we have already started making forays into and then utility companies. So, any entity that is owed a payment and the underlying customer is at risk, a bankruptcy is a potential customer.

I'm going to take a step back and then kind of revisit what does Argus do and what are we doing in those spheres and some of these numbers as you will see are higher than what we've previously estimated. And only because time has passed, the scopes have passed and the meaning of and the use of the analytics in the sectors we serve has expanded.

Core banking continues to be the frontier, that's how we came about. And it is a significant damp and the team you've on in the area of core banking is kind of what's going to propel our future growth is inclusion of financial inclusion and that is an opportunity to build methods and solutions that bring a much bigger section of the populations in the markets we serve into the electronic payments, credit cards, lending vehicles beyond kind of the shadow economy that exists outside, and this is a real space that we can make a significant difference in.

Platforms and compliance, this is our data hosting capability. It is a massive, massive opportunity, but it also happens to be a very competitive sphere relative to anything else we do, data hosting is a competitive sphere, and I have a slide on that that I'll talk to. And if you think of the total TAM of the data hosting opportunity for banks and adjacent entities, it's a $25 billion market. But we believe our TAM is at least 10% of that where specialty matters and I'll talk to it.

Media and marketing, we're targeting effectiveness as a key element of that. We're measuring and helping media buyers, sellers and kind of the intermediates become more efficient. It continues to be a big opportunity and I'll speak to it. It is an increased TAM because of the global nature and the broad nature of some of the partner data that we're bringing in. Merchant and site selection, what we've previously called merchant analytics, but now it has taken an expanded form, has new, kind of used to it, and we feel really good about. We're taking on new sectors that I'll get into.

And then panel scoring is a new method, so that I will be describing and it's a new very exciting area where we will be using Argus' and its partner data sets to drive and emphasize and enhance a classically panel or kind of survey panel based research and our early results in this and early clientele here is super exciting. And it's literally, we believe, going to change the way panel research has done and used until now.

So talking about core banking, some of you may have heard about announcements our core partners have made kind of entering into long-term relationships. We are very excited about that. We believe partnering with processors, and bank processors in particular, allows us to have a turnkey platform that a pure analytics entity like us doesn't easily get. We do get it, where we're embedding our solutions into the bank's own software, in their own systems or through the processor, through an agreement with the bank, but that's none of that what I just said is turnkey. And therefore, the key would be how do we make that turnkey and that is through these relationships that are very meaningful to them. They're bringing turnkey analytical solutions to their client that are higher margin and it's good for us, but it's very nature of bringing scale.

The other very attractive element to it and we have just – we have about five of these very strong robust relationship with bank processors in the U.S. alone, and there's one in the Middle East that we really like is now we're starting to move away from the big national, big regional banks into this huge kind of long tail of small and small-medium banks that have the need for analytic solutions but just can't afford it, they can't afford it at the price

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points that an institution like us typically does business with and supporting their banks. And by making it turnkey, by making it off-the-shelf and by making it a turnkey, by making it off the shelves, we get – the price point points go down, they're not as customized, but they definitely meet the needs of a small bank, but a small-medium bank which basically has none of that outside information that the more sophisticated banks are so used to hearing.

Our international presence has grown. It has – kind of as you can see I've shared these types of maps with you before, the number of spots in the map have grown. I'm not going to walk you through all the countries, but a few countries to emphasize where our presence has grown and thanks to Fintellix in this case because of the nature of the resource and skill set we have in Bangalore, we are easily able to deploy those resources at a cost level efficiency that was previously not possible. The UAE market, the New Zealand market, the India market have been – are new for us and very exciting, and I hope to come and talk to you more about it in the coming years.

Again, sticking to core banking, I talked about financial inclusion. Our solution sets that we're working on, some of them have already taken root and are being deployed with banks. These are things we hadn't done before. I've been on this platform or a similar platform where I've talked about be shy away from risk course not because we can't do it, is because someone else already has that space and why would we want a me too product.

What we've found is those current products themselves are not addressing the needs of a large portion of a consumer base that needs to be scored and they need to be scored is because they have a need for loans and debt obligation that is just not currently met, because there's no current data and traditional risk score, it just has an opinion on them. And we feel if – and that actually happens to be 70% of that deserving population. So there is a massive market and instead of trying to compete with the me too risk score, we focused on the – less focus on the population that does not get scored. And we are partnering with entities to make that possible.

Fraud suite continues to be a very strong area for us, but we are bringing in new types of fraud into our sphere. Income modeling is new, big, and through our partners and our own data is going to be more detailed and sophisticated than what exist in the market. And pricing optimization at an individual level and portfolio level, particularly on the retail bank side, we hadn't really focused on, and this would be the area we expect to breakthrough that opportunity. And again, this is through a partnership where distribution comes along with that access.

So, a little bit about our data platforms and without making it into too long a story. The emphasis here is why do we feel we have a genuine story. And of course, it happens to be a very significant percentage of Argus' revenue today, but how do we believe that there is a significant chunk of that $25 billion TAM and that what we believe ours is about $2.5 billion is real? And through every kind of senior kind of CEO client access we have had in this space, the story is very clear to us. What makes Argus' different and Verisk different in this space is that, we are talking about two attributes to our solution set that no one else has, which is flexibility in its application for a banks need; and two, a deep domain expertise. We know what the banks need and therefore there are lots of off the shelf templates, toolkits, data models, a physical architecture that many more bigger players just don't have.

As a result their price points are lot bigger, they're not as flexible and they're not as domain specialized as ours, and declines that we get in that sphere tend to be a lot happier, they're stickier. We don't lose clients that once they get into our platform kind of we haven't had any attrition. Please note that I'm aware of [indiscernible] (03:08:03) honest.

So that's our story and we believe that's a real play. Distribution has been a challenge. Fintellix helps a lot, it is a lower cost resource specialized. They have a data platform that is easily deployable and we are fixing our sales and distribution capability in this sphere. The processors are a big part of that story.

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Media and marketing, I continue to feel really robust about and the reason is quite simply that in the past we have relied on a few partners where they're bringing in media exposure data, and we're linking it up on our platforms and our databases in an anonymized form with the payment instruments. And the problem we're solving is, who is exposed to what ads and then post-exposure what do they buy and if they're not exposed what are they buying to allow the ROIs associated with ads that leads to better math and better segmentation and better targeting, and all starts with better measurement.

The fix is when you have one or two traditional medias, there is a natural expectation that if those medias, television if they're not growing there's a risk to the revenue not growing or becoming static if even if you're really, really good at it. And therefore the key is let's track and tap into every form of media exposure we can. And that really comes with a very broad array of partners and anyone that is in the ad exposure space is partnering with us as the lead entity that has the consumption information coming in. So that's what's big, that's what's new and that's what's going to drive the growth in this space and that's what drove the higher TAM in the space. A broader set of partners with a broader array of ad exposure.

Much into the site selection, this is a relatively new phenomenon. As you know we've often talked about Argus and Verisk being a source of payment data at an individual anonymised level. And therefore it allows you to connect the ad exposures to the spend that I just talked about. But if you kind of flip that data on its head and you think about not the individual, but think about all the transactions that went on into the merchant that kind of think of all the people who shopped at a Subway across the street or a restaurant three blocks down, that is a measurement that is not really about the individual, but it's really about the merchant. And if you start thinking of a merchant specific data, it opens up and unleashes a new sort of analytic, which is highly valuable, which is how is the merchant doing. How is the merchant doing relative to whatever the question is.

And when we start combining that with our Geomni data sets, when we start combining that with tenant data sets, and when we start combining that with branch data sets in bank ATM withdrawals and branch presence, it unleashes a whole range of use cases that were again previously untapped. And these are things that we're already starting to deliver. The bringing in of the imagery really starts to give you those kind of God's eye view of drilldowns that is just visually appealing and highly gratifying, but it actually has some design uses that cannot be minimized.

And then panel scoring, you're going to hear a lot more about this and hopefully there will be follow-ups as well. So, I'll start with kind of the emphasis as to why the need for panel scoring. Often, there are questions that any entity needs to ask, whether you're designing the new toll gateway or you're trying to bring new genes into the marketplace or you're trying to kind of build a new software.

You need input from your users. And when you're taking input from your users, you don't always go to – I'm just going to go to the universe of all my buyers or potential buyers and get information, you ask questions, that's called primary research and you take in that data.

The problem with all surveys, all panels, whether it's a million person panel or a five people panel or a thousand people panel, is they all tend to be skewed. And if anyone says they're not skewed, they're off. And hopefully you know exactly what I'm talking about because you've experienced it. And the reason they tend to off is, even though there are good mathematical methods of fixing this skew, that is by giving different rates relative to whatever they represent.

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So, if you speak to me as a survey participant, I am worth certain weight because people like me represent some percentage of the population, and then so on and so forth. And getting the weight right is the key, as to how do you fix the bias in the survey. And if you go to standard sources like the Census Bureau or a typical geodemographic number of males, females, percentages by geography, by age, they don't tend to be good enough. And they don't tend to be good enough because there is no good way of measuring how many there are. And to a male 25 years old in kind of North Dakota is going to be a very different user of any kind of a solution set relative to that 25 year old male in Manhattan. Those fundamental differences can't really be equated.

And our big realization this past year has been, when you start applying that full dial – sets of dials, the datasets that I described, not only the payments data but also all that partner data, you're talking about ground truth of a full population at a level of granularity in detail that doesn't exist before. And the only place where it does is in this one place and anonymized and aggregated has tremendous value in fixing these biases.

And when we apply that to a few of these kind of publicly reported cases in an apparel company on what's the reported earnings relative to what the panel data had, coming from our partner and we have partners who have very robust panels, they're pretty off. They're kind of directionally right, but not good enough to be used. And when you fix them, even with our first order algorithms for fixing the panel, and you get pretty close to kind of what the reported earnings are. So we feel really, really good about this. This is in our kind of product launch pace and hopefully you'll hear a lot more about it. I just had to share it with you, as this is one of the most exciting things and kind of simple things that we're working on.

So in my closing summary, there is a lot to look forward to, driven by the fact that we have. We're putting 2018 in a very good start. There are new products and synergies that are starting to show. We have new markets, new countries. We have closing partnerships. We have winning clients and we have winning back some expired contracts that actually were an important criteria for kind of the 2017 challenge that we had and we've talked about, and I expect to get a few questions on.

We are scaling our go-to-market strategy with the sales force in a global sales force. Thanks to skills and experience from our new members of the family in LCI and G2. And our unmatched distinctives, and hopefully I was able to describe to you how significant the proprietary nature and the complete nature of the datasets we have, growth becomes a natural function as long as we continue to be responsible, users of the datasets we have and continue to innovate against that delivery.

So, I feel really, really good about where we're headed. So, I'll take questions as long as you don't kind of run out of time. And David will keep me honest.

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QUESTION AND ANSWER SECTION

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Toni Kaplan from Morgan Stanley. You mentioned at the beginning that you have signed eight significant multi-year agreements in the last three months and that is great and sort of a little bit different than the beginning of the year. So I just wanted to get a sense of sort of really in your words, what's changed, and what's driving this recent strong acceleration?

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Right. I think the question is a fair one. I mean, some part of it is the story, kind of you're building new things, et cetera. But in its heart, nothing really, kind of, we're one of those smaller companies, growth comes in [ph] spurts (03:17:29). When you have a few long-term contracts expire, you start the year kind of at a lower base than you really expect to. And when you start from a lower base than you expect to, you kind of, you have more to cover up to get a growth and you run out of months. And when the growth don't come at a certain pace of [ph] spurts (03:17:49) you kind of because you started at a lower end, you're more flat than you're – would be in other circumstances. So, it's really is that story. There is not a complexity to it.

For us, we just want to get to a point where there are enough distribution access which I talk to you about we have. There's tremendous opportunity space. The dollars of what we typically sell are significant. And so I don't think this was a bad year. In fact if I describe to you kind of all the things we did, the new contracts we posted, it was really about running out of months in the year to be able to catch up a slow first quarter and second quarter.

Q

Hi. I guess, along those lines, what's the risk of other longer-term contracts? And I guess what type of visibility did you have at this point last year? Did you know that you're going to start from a lower spot and so trying to assess the risk of that happening again in 2018?

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Yeah. Mike, do you want to take that?

Michael Bopp
Chief Operating Officer-Argus & President-Argus North America, Verisk Analytics, Inc.

A

Yeah I think the – I would say, we were hoping to start at the same spot last year, and to Nana's point about the timing of some of those larger contracts being a little bit more delayed. It was more a victim of the calendar than anything underlying on those large contracts.

I can't say the number that we focused a lot on over the course of this year was that that $13 million number that Nana had put up earlier, because that starts us in such a better position and all the other larger contracts we do have we feel very, very good about moving into not just next year, because they are multi-year contracts as well.

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Nana Banerjee
Group President, Verisk Analytics, Inc.

A

And what I could tell you is, we weren't surprised. There was not a surprise that we were expecting to be higher and then boom and disappear, that's not what happened. We kind of knew where we were headed. We were more optimistic then, because we were working on things and you'd expect to get things signed and again some things get signed later, stuff like that.

Oh, sorry.

William A. Warmington
Analyst, Wells Fargo Securities LLC

Q

Bill Warmington from Wells Fargo. So you were talking about the financial inclusion and consumer credit scoring and alternative data as part of that. And the FICO score of course is very entrenched from an operational and regulatory standpoint. They have expanded to do a FICO XD score which brings in some rental payment data and utilities data. And so my question is, how does Argus fit in there? Is there going to be something that ties in with the existing FICO score or is it going to be a new alternative consumer credit score?

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Right. Fair question. We do not expect to be challenging the current incumbents in any space. So anything we are doing, we would be doing it in a way that would be complementary and in conjunction with the strategy and delivered to a client that would be relatively seamless. What we have and so why do we believe this story, why should you believe me.

Two things; one, we have an opinion on so all scores, all models you need to know who is bad, who is good from the past so you can build a predictive model for the future. We have an opinion on individuals who have been bad, but there is no record of them in a credit bureau. So these are kind of new censored observations and new kind of bads that will broaden the class of who can we have an opinion on.

Two, the X variables often are very limited and traditionally limited to what a credit bureau has and an alternate bureau has. And there is a whole class of X variables or the training variables such as what's your deposit balance, so what kind of a deposit account do you have, what kind of checking transactions do you typically make. None of our traditional risks or models take into consideration. And that's because those types of datasets are not available at scale. We don't expect to be the source of that data, but we have ample sources of that data if we brought those algorithms into this space and plugged into those. They're going to be disparate, but they are available. And what really matters is bringing these algorithms and putting it into those platforms.

William A. Warmington
Analyst, Wells Fargo Securities LLC

Q

Thank you.

Q

Nana, I'm going to ask a very similar type of question, again it's about slide 95. It just goes to the fact that Argus data that you identified. And so I'm trying to understand how you're going to help banks identify new consumers with thin files or no files if your information is identified?

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Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Got it.

Q

And then the second point of that same question again on slide 95, you talked about income modeling. My question is, do you have paycheck data on individuals, I thought it's all identified?

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Yes. So I think it's a very fair question and...

A

You can start now.

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

Okay.

A

Yeah.

Nana Banerjee
Group President, Verisk Analytics, Inc.

A

So think of when we say anonymized, it does not mean we don't have – they have no identity, they are hashed token identity with physical properties. Those physical properties are we cannot – Argus cannot identify who they are, but they exist and they can be connected into our client database, partner database or a third party database in order for certain use cases, highly compliant use cases.

Those hashed tokens are lossy encrypted, measurables, so they are these physical properties. All of that translates to, you actually are able to link them into multiple different places without needing to know who they are and without needing to worry about non-compliant use, because Argus the place where it all resides in this hash tokenized form doesn't know who they are therefore can't possibly use it.

So that's how the regulation and our compliance is ensured. We don't know who they are. But there are many [indiscernible] (03:24:21) out there, if they knew our formula for calculating the hash token [indiscernible] (03:24:24). And that's what allows the linkage.

So back to your question, do we have the income data on an individual, yes, that is – and it's coming from multiple sources. It is coming from the income that paychecks that are deposited to someone's checking account. And if it's coming from a payroll, which we're able to mine and tell. And we have about 100 million checking accounts or more than that. And a huge I think it's 55 percentage of that, we see some regular payroll and we've been able to

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actually have an opinion on what is definitely payroll income data for over 35 million individuals. Now those individuals are anonymised that can't be used, it's only for compliant and aggregated use cases, but it is income date.

Q

[indiscernible] (03:25:13-03:25:15)

A

Nana Banerjee
Group President, Verisk Analytics, Inc.

Yeah.

Q

[indiscernible] (03:25:16-03:25:31)

A

Nana Banerjee
Group President, Verisk Analytics, Inc.

We can only in the form of a scoring algorithm. So we can say he is more like – Mike is more likely to be a low income person, and Chris is likely to be a high income person kind of – sorry.

[indiscernible] (03:25:46)

A

Nana Banerjee
Group President, Verisk Analytics, Inc.

Sorry Mike. Without and the way we have that opinion that one is making less than the other and they're like really on two different ends of the spectrum are really disclosed. Based – and that scoring algorithm, this income data that I described that Argus has is the actuals, but they were trained on data that is compliant, and examples of compliant data would be credit bureau data, socio-demographic data, the bank's own data. So that's a very key distinction of what an algorithm and a score means relative to just using the data and go ahead have add it. And that go ahead and have add it is not – that that would not be permissible and that's not what the banks and any other partner that gives us the data that would not be a comfortable use for any one of them. Then they have a very strong regulations around them.

Okay. We did run out of time, sorry.

Q

Thank you.

A

Nana Banerjee
Group President, Verisk Analytics, Inc.

Thank you everyone.

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David E. Cohen

Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

[indiscernible] (03:26:56) another great outstanding data sets, as a foundation for strong growth. We're going to take a break now. There are box lunches, if you go out and to the left you're welcome to come back in and eat. We're going to reconvene at 12:25 to hear from Scott.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Okay. Well, welcome back and if you're like me, you're going to keep eating. I would, if I were staying where you are, so please do. I've got two goals for this session. One is, in a sense to kind of scoop up all the individual notes that you've heard sounded over the course of the last several hours where we've had observations about things going on in individual parts of the business. I want to kind of scoop up all those notes. I'm actually going to add a couple, but mostly what I want to do is kind of observe the symphony, which is kind of all of that together or maybe a better image would be sort of a large jazz band, because there is a fair [indiscernible] (03:27:59) innovation and even some improvisation in our search for growth.

And in that by the way one of the most important parts of the story to me is to try to convey how it is that at Verisk the hole is greater than some of the parts. So we put a lot of emphasis upon the vertical markets, so you could sort of reasonably ask the question, are these vertical market organizations better, because there are part of Verisk and the answer is, definitely, and I'm going to dwell on that for a little bit. That's the first thing I want to cover.

And the second thing is to go in some depth into the topic of capital allocation and what I want to do is really sound the themes that have applied over long periods of time at Verisk. This is my 17th year at Verisk. The first acquisition that will be a part of my discussion of capital allocation and the part of that relates to acquisitions is back in 2002. It was actually the first acquisition that we did after I joined Verisk.

The themes have been the same from then until today, the acquisitions that we've done in 2017 are drawing from exactly the same ideas, as the ideas that applied 15-plus-years ago. So I want to talk about those ideas. I want to talk about the performance of our program with capital allocation at Verisk through the years and use that to talk about our expectations for what is to come.

So I'm going to try to cover all of that in a relatively short period of time with you. So let's start here. This is really kind of like the secret formula and you could sort of say well why publish it. I think it's okay to publish it because while I hope it communicates a relatively clear message in reality it's actually hard to do, and it also ripens over time. The more you're on it, and the more you stay on it, the better it gets actually.

So what is it, that is our thesis in terms of our company. And we've been talking a lot about verticality another way to think about verticality is expertise. It is domain knowledge, it is actually understanding the problems that our customers are trying to solve and that's hugely important because the preponderance of companies that are out there today that are serving other companies with data analytics are actually not vertical. So they're the old form companies, I would throw IBM into that category. And there are the new form companies, I would throw maybe a [indiscernible] (03:30:39) into that into that category. But mostly what they are about are their methods. And so when they show up, they have thought a lot about data aggregation, they've thought a lot about advanced analytic methods. They may not know very much about your business.

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Now the power of the methods and actually the cost effectiveness of the methods has progressed to the point that you can make – you can sort of make an entry argument, as a company that comes from this very horizontal methods driven point of view, you have a leg to stand on. We actually don't think it's the strongest two legs to stand on. But you know think about it, I mean today you can buy a petabyte of raw storage capacity for about $500,000, 10-years ago that would have cost you 30 times more.

So the cost of data analytics has gone down and the methodologies have actually gotten better because of computing power and so that's why you have sort of a very long list of companies that would presume to come in and help you as a company, figure out what to do with data. But what they are almost – what they are always talking about is, I will help you get more value out of your own data and there is nothing wrong with that.

We think the strongest value proposition in the data analytic world is grounded and being vertically oriented and actually understanding the domain that is being served and tuning everything that you do to that. One comment, I'll make is, not all verticals are the same to us. You won't find Verisk being in 10 verticals. We actually have some pretty strongly established criteria for what verticals need to look like in order for us to want to be in them. And some of those criteria would include the marketplace cannot be overly concentrated because all else equal a larger company that has a higher share of the end market will be more reluctant to share any of their data.

So we're looking for unconcentrated markets. We're looking for markets where the regulatory environment is benign to positive for the kind of thing that we do. We're looking for markets that have shown some evidence of a willingness for participants in the market to make maybe some of their data available to another player and of course we want to believe in the underlying quality of the marketplace in terms of meeting data analytic solutions. It doesn't require that the end market actually be highly growing in and of itself. I mean, you know, the property and casualty insurance industry in the United States has been growing a little bit less than the G&P actually over the course of the last several years and generally has not grown all that rapidly. Our business grows a lot more rapidly than does the market we serve.

So the key is not so much the underlying growth of the market, rather it is the – it's the need and the preparedness of the market to consume the kind of data analytics that we provide. So not all verticals are created equal and we have very carefully thought about the ones that we're in. When you are vertically focused like that there are two things that that if you do your work well will come your way. One is, proprietary data set and the most valuable data of all is that which your customer gives to you. And that would be the majority of the data that sits in our data stores, would be data given to us by our customers. That is a position of incredible privilege, we know that it's a privilege. We care so much about the quality of what we do, because we want to preserve that privilege.

And as I said upfront, there are some people that want to argue that in this world that we live in which is hyper connected and machine learned, that dozen content become kind of a commodity. I was walking through the Hyderabad Airport not that long ago, and I saw on the shelf a book called, The Content Trap. And I thought, well I'm in the content business, so I should read that. It was written by a guy who teaches at the business school I went to, I thought okay, I really need to read it. His thesis, we just totally disagree with, basically his view is that, the network is the only thing that carries value. But I will say again that over the course of my 17 years with Verisk, our customers if anything have gotten more proprietary about their own data they think more of it as an asset than they used to. That represents no threat to any of the data assets that are available to us, because we have proven value, because the methods are so honed at this point that the incremental cost for our customers to make their data available to us at this point is about zero.

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So there is no reason for them to undo what's been done there. We believe that the content assets that we've got will represent even more of a distinction in the future. The other thing – excuse me, that grows up in the vertical is and you heard Mark talk about this, there is this kind of overlapping that's going on between traditional data analytics and sort of software as a service software models where you host the application for your customer. Their business runs through your application, it's your server. You don't have the right to the data, but maybe you can ask for the right. Because you know you're so proximate to the customer's data. That's kind of where the overlap comes in.

But the important point here is that if you really understand the domain then you will come up with methods that are highly relevant for the customers in the vertical. And that's really meaningful because the full expression of that is machine to machine kinds of transactions untouched by human beings. That's the ultimate in sort of locked-in, sticky et cetera.

And that characterizes a fair amount of what we do at Verisk and an increasing amount of what we do at Verisk. So you start out domain, expert, you build unique content assets and you end up very deeply integrated with respect to the workflows. And if any of you have spent any time with something that we call Verisk way, which you can find on our website, you know that at the very end of it we list about four distinctives and we come back to these all of the time. And three of them are listed here, domain, knowledge, proprietary data sets, deep integration in the customer workflows. The only one that I haven't put on the slide here is to be a first-mover, which is a little less structural and just kind of a little more behavioral and attitudinal. But if you're going to analyze things, if you're going to write an algorithm, if you go first you're probably going to get more experience, if you get more experience your algorithm is going to be more trained, you'll have a better analytic and the market will assume that it's better. The primary marker for the most marketplaces for, is that analytic good, is it the biggest one, does it have the greatest share. And so, it is important to go first, because you'll probably end up biggest.

Two things that we're adding to this. You heard a lot about global today and it is important in the United States, in the three verticals that we serve, most every company that you can think of is on our customer list. Now that doesn't mean that our growth opportunity in the United States is constrained, because most of the companies, in fact there are almost no companies that buy everything inside of our suite. And so cross-sell, up-sell still remains a dominant driver in terms of our ability to grow the business, but by going global, we can add new logos to the customer list. And hopefully what you heard across many presentations today is the methods transfer, pretty well actually.

And then the last thing is synergy is kind of a high level word. I tend to think of this more as knowledge transfer than anything else and this is part of that theme about the whole being greater than the sum of the parts. There are ways in which the left hand of Verisk is getting better because of the right hand and I'll describe a few of those in a moment.

The other common form of synergy and you'll see this also when I talk about capital allocation is, when we acquire a product and we make it available through our existing channels of distribution and relationship, it generally does better, it generally starts growing faster. All of that represents a mode of business. And that mode, the nature of that mode exists inside of all three of the vertical market organizations, all of them are underpinned by unique datasets, in all cases, we are the thought leaders inside of the domains that we serve and we have a very high level of integration with our customers. And what that leads to is a business in which the retention rate on contracts year-over-year is in the high-90s, but it's also the case that the products that we bring to our customers next year, it may be the same contract, but it's actually an enhanced product. There may be other modules attached to it or it could be that there are new datasets flowing through it, whatever the case, it's actually more valuable than what it is that we brought to customers this year. And then therefore there is a natural upward

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movement in terms of the price realization associated with the things that we do. So very highly retained, but dynamic products that actually get more valuable through time. That's a [ph] moated (03:40:11) business and that essentially describes everything that we do, that's the thesis.

Honest point about being integrated, we really think of it in two different ways. So you'll hear us – I think you've heard people today use the word platforms, we've also used the word embedded, we've also used the word integrated, just to pick that apart a little bit. Embedded really means irreplaceable. So that is your data analytic has simply become basic to the way that your customer makes decisions. And we would basically claim that that is true of almost everything that we do, across everything that you heard today, maybe small distinctions and we're trying to grade ourselves relatively toughly here, but what we do is essentially so root and branch connected to the decisions that our customers are making.

There's a different dimension of being integrated and that is what we call platformed. And you've heard a lot today about the building of new platforms. So think of this as really sort of software which organizes data and analysis and makes it available, makes it consumable. And one of the things going on in the world today is, where does that sit, does it sit on our premise, does it sit in the customer's premise, does it sit in the cloud, do we host it, do they host it, and the direction of travel is for it to sit in the cloud and our preference is to host it.

In all cases, we want it to be intimately tied to whatever software is on the customer side of the firewall, where they're consuming what it is that we do. And the ultimate expression of platforms is machines are talking to machines, untouched by human hands. And that represents a fair fraction of what we do. You heard Neal talking about sort of the data, the big data transformation at WoodMac. All of the virtues of WoodMac, they're all what we thought they were, and one thing that we knew would happen to WoodMac is it became a part of Verisk is that it would become more platforms and that's going on right now.

With respect to the whole being greater than the sum of the parts, there are two ways that I think about this. One way is sort of literal advantage in the marketplace. And so you've got here a list, I won't read all of these, but Sintelix relates to Argus, and yet some of the gains we've made in the London insurance market are repurposing Sintelix derived methods. Our CIO has played I would claim a leading role in helping WoodMac get on with its move towards large scale data integration.

But as Neal was saying, as we've tried to – have not tried, as we have integrated Sequel into the rest of Verisk, the leading actors in that effort have actually been derived from WoodMac, it's that platform that Neal was talking about before, we're using some of the Argus methodology to pitch new products to insurers. I was sitting in with the CEO of an insurance company last week, when Nana was pitching to an insurance audience, some of you saw out there the [ph] EPIX platform (03:43:24). So that's WoodMac data applied to the insurance domain. There are many, many examples like this.

And the most recent one of all is PowerAdvocate, the purchase of which we just announced, it hasn't closed yet. But just to kind of put that in context, when you put PowerAdvocate and WoodMac together basically you have the opportunity to bring the PowerAdvocate's solution set into the oil and gas space in a way that it hasn't been there. So, we put out there the PowerAdvocate, this year we will do about $37 million of revenue. The two companies together over the last couple of months have called on one of the top five national oil companies in the world and we're just right on the verge of selling something that will probably be worth in the high millions of dollars over a three to four-year time period. And the PowerAdvocate people would tell you that that solution would have taken three years to get sold if it ever got sold, without the help of WoodMac. So I can just kind of go on and on with stories like that. But those synergies are very alive inside of our business.

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So you start with a [ph] moated (03:44:31) business of this kind leads us to a very high level of conviction about what's going to happen over the next several years, where we believe that our organic rates of revenue growth 7% on average, that EBITDA growth will be even faster because it's still true for almost everything that we do, that incremental margins are higher than average margins, and that adjusted EPS will be even faster than that, because we will effectively deploy capital which will provide some leverage on top of all of that.

And I'm going to conclude actually with, in addition to having this – to me it's a beautiful design. It is very [ph] moated (03:45:11), I think that this business will grow forever. What I'm going to close with is like what's the special sauce you have to put in it to get it to the highest possible level of growth. We think we know what that is and that's very much what we're focused on.

A couple of other things that we care about because that was sort of financial targets. The first one is how our customers feel about us, and I have to disagree with the gentleman here actually 40 as an NPS for a business to business model is like awesomely great. All the 60s and 70s and 80s you see there almost 100% consumer businesses, but in the business to business world 40 is like awesomely good. And ours has moved up quite a bit over the last several years. We also care a lot about employee engagement. I won't give you the arcana of the measurement, but 67 represents global excellence and that's where we're at and we see ourselves going up from there.

We do intend for the business to become more global, because the domestic business is growing very nicely. It's not like it's going to tip over from the 22%, 23% that it is today to like 40% in any short period of time anyway, but we do see it steadily growing. And we care very much about the quality of our team. We have typically retained about 95% of our team that we have scored as being our A players and that will continue to matter and actually I'll say a little bit more about that in a moment.

Just want to highlight for a moment, some of you have been with us from the IPO, some of you have been with us for the last five years. I just want to highlight the work that has been going on, maybe it's a little bit the iceberg underneath the water layer, and just to kind of hit it at least for a moment, because at any given time, you might miss some of this progression, but actually collectively, it's very important in terms of why we're so enthusiastic about our opportunity to grow going forward.

So the distinctives that I talked about, the things which generate the mote. December the 1st, 2012, we would have credited us with about 1.5 units of that distinctiveness. So we've always had that distinctiveness with respect to our insurance business and kind of a little checkmark on that one, Argus had just come into the family, Argus was considerably smaller then than it is now, even though we saw this beautiful data asset growing up inside of it, so we would have given ourselves kind of a half check. Today, as we sit here that distinctiveness, those motes exists across everything that we do. So three big checkmarks, insurance, banking and its extensions and resources and energy.

December the 31st, 2012, the year we had just completed about 4% of our revenue was non-domestic, today it's approaching 25%. And there is a sense, especially in a business like ours that you have to be there in order to be there. And so, the fact that the contribution of WoodMac to our ability to think and operate globally cannot be overstated. Beyond that and especially three of the four panels that are below there are things that we do a lot of work on, they're not product market. So maybe we don't talk about them as much as we should or I don't know what your focus is on in these, but a lot of energy goes into these. And it is excellence in these categories among others that define why Verisk is greater than the sum of its parts, why it really makes sense for these vertical market organizations to be a part of Verisk.

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So first of all, with respect to the methods, just taking these off real quick. So the JDE, Joint Development Environment is our form of what a lot of companies call a data lake or a data sandbox. It's a place where we bring together data assets from across the organization and then create new data assets out of the existing datasets, very important. Cloud computing, everything you heard about with respect to global today gets a lot easier when you have a cloud basis to your computing and the center of the company is able to work to facilitate any part of the company's opportunity to get on to the cloud, there's a lot of work on that front.

And machine learning network, so we of course have our own machine learning experts, but one of the things we have that team do is to manage the work of about 12 universities where we essentially bring into our work faculty and their graduate students, and we essentially give them some of the machine learning problems that we want to work on. We have found that to be a very nice cost effective way of having our own capability, but at the same time leveraging best practices that are out there in the world.

Those methods, we invest in those methods, they actually work for the benefit of all of the vertical market organizations. And in some cases actually sort of stimulate maybe even push along a little bit some of those vertical market organizations to get that much more modern, that much more quickly. With respect to our people, we care a lot about that part of the agenda. We have the strongest team we've ever had in my 17 years at the company and the degree to which the technical sophistication of our people is going up has been impressive to me over the last few years, we hire to it, we train to it and it's working.

On the governance point, two things that we have really given attention to and we've needed to. One is the security of our data stores. And, yeah, it's been interesting. I mean over the last couple of years, we went through WannaCry, fewer than 1% of the servers in our environment which logically would have been attacked by WannaCry actually were reached by WannaCry. The Equifax breach and I'm not trying to say gee, are we superior, but the Apache Struts software, which was the path of vulnerability for Equifax, we were notified at the same moment by the provider of the vulnerability and it was closed up within a very short period of time in our environment.

And you just take these examples and you kind of say, okay, well, there aren't that many external checks on it, how robust is your program of security and privacy. These are interesting examples. Over the course of the last three weeks for about a 10-day period, we were probed by a state actor from the Middle East and they didn't get anything. But I mean you know when the attacks are happening and we watched it in real-time, shut it down, tried somewhere else, shut it down, et cetera. So we've given a lot of attention to that.

As we've tried to become a more global business, we've given a lot of attention to foreign corrupt practices and essentially avoiding running [indiscernible] (03:52:06). So, we've given that a lot of attention. And one of the things that we're going to be doing here in the next couple of months led by Lee and also our Corporate Secretary, we'd like to come and visit a number of you who are our investors and essentially just talk about our governance practices basically and see what your thoughts are. We'd particularly like to talk about the program of incentive compensation for the senior executives where we think we can make it a much more shareholder-friendly sort of externally benchmarked kind of a program, so we have ideas about that. We'd like to come, trade ideas with you and kind of see what yours are. That's the program that's been endorsed by our Board of Directors. Governance has gotten a lot of attention.

And lastly, those of you who've been with us know that we've become a much more capital-intense form of ourself. So, December 31, 2012, the prior 12 months, we spent about 3% of revenue on CapEx. In the current year, it's closer to 8%. That was extremely deliberate. Basically, we believe in our ability to add value for our customers, we believe in our ability to be inventive. A lot of that growth has been the capitalization of our own

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software development. So, it's hand in glove with the developments that you heard about from the teams today. That's what we've been doing, basically. I'm not sure we always talk about that as much as we talk about products and markets, but that gets a lot of attention. And that is the logic of a multi-vertical organization such as Verisk.

On the CapEx point, so we took it up to a very high level this year. [ph] Those are (03:53:51) mostly related to or the spike is related to the Geomni investments, so all those platforms that Jeff was talking about, which are coming along very nicely, that's the spike there. The software intensity of the business has gone up over the last three, four, five years, I would say. We have really invested very heavily in that. Having sort of lifted the company to a new level, what we expect over the course of the next several years is that that will come down basically having sort of re-platformed a lot of things. We won't stop, but we don't need to do it with the same intensity that we have over the last few years. And so, we would expect by the time we get to 2022, that CapEx as a percentage of revenue will probably be somewhere in the 5% to 6% range. I don't think it'll ever return to the 3-ish that it used to be because the software basis of the business is higher than it was, but I do think it's going to moderate from where we are.

So, that was sort of point one, which is essentially sort of scooping up the notes, talking about the whole of Verisk. What I want to do now is talk about capital allocation, it's something that I know is on the minds of a number of you. And, obviously, 2017 has been a noteworthy year, we've done four relatively large deals and a whole series of small ones. And so, what I want to do is first look at the record, then talk about the ideas, and then talk about what we expect on a go-forward basis.

So, here's what has happened from [audio gap] (03:55:28) and we wanted to – so, you can see that over the course of that whole time period, of all the capital that was deployed, a little over 40% was given back to shareholders and a little less than 60% was deployed in M&A. We wanted to show you the last five years, just to make the point that it sort of moves around a lot. There have been times where the emphasis was more on buybacks, for example, 2013, 2014 and there have been times where the emphasis was wholly on acquisitions, 2015. This year was a little bit more of a blend of the two, but with a tilt towards M&A. So, there has been a historic balance and the shape of it in any 12-month period is going to be a function of where we think the best opportunities lie.

So, there's not sort of a rigid programmatic quality to it and we actually think that, that's good, because at any given moment, it may be that some acquisitions we've been pursuing for years finally come available. Occasionally, we get surprised, not very often, by a company that we think would be a nice fit with Verisk that doesn't happen too much. And then, where is the market and what's the opportunity to return capital to shareholders. So, has been balanced, probably will be balanced going forward, Lee and I are going to be partnering on this topic very closely on a go-forward basis, but there will be in any particular time period it will probably tilt one way or the other to some extent.

So, let's now look at those two categories of deploying capital. So, here you've got from 2010 to today, the buyback program. So, you've got the shares, the dollars, and the IRR on a CAGR basis, and what you can – and so, you've got all the vintages and you can see kind of how they're doing. And, basically, the performance has been relatively consistent. Obviously, this is going to correlate with what is the stock price doing. So, no magic formula there. The only thing I would say about this is that we really have thought pretty hard about price [ph] curves (03:57:48) and also the timing inside of the buyback program. So, this has been a productive program for our investors and we definitely, definitely think that there is something very productive about returning capital to our shareholders.

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So, that's one side of the equation, which is the buybacks. Let's now talk about M&A. So, if you go all the way back to 2002, and you look at the deals we've done, there are 45 deals that we have done and here you've got them in three different buckets. The first bucket is deals where we spent over $100 million. In the period prior to this year, we did six, we deployed $4.1 billion in those acquisitions and the IRR as we sit here today of those deals is around 19%. And that IRR is calculated – so, of course, obviously, if you're calculating IRRs, you have to think about the terminal value of whatever asset you're looking at. So, the terminal values that we've associated for those six businesses is the this minute EBITDA multiple of the S&P 500, which last time I looked, I think, it's like 5-plus turns lower than our multiple. I mean, pick your own assumption, that strikes us as fairly conservative, one way to do the numbers, and you get 19%.

Over that same time period, we did 35 deals where all of the deals individually had a dollar value less than $100 million and collectively represented $800 million. The IRR on those [audio gap] (03:59:25). And then, this year, we've done a number of small tuck-ins, but we've done four that have had a dollar value greater than $100 million. So, against the historic pattern, it has been a busy year. Again, as I said upfront, one of the four that we bought, we've been in pursuit of for six years, another of the ones that we bought, we've been in pursuit of for three years, we don't have perfect ability to time these. There is a seller and the seller is thinking about their own considerations.

So, it's been a busy year. What I hope to show you in just a moment is our expectations for these businesses are completely in line with both the way we've thought about acquisitions throughout this timeframe and also the performance expectation, not only the pattern of thought, but the actual performance that we hope to see with time.

So, here are the six deals that we did prior to this year where we spent more than $100 million. I think, all these parts of our company and what you've got is the IRR as of today. You've got the cash ROIC as of today. Basically, the way we do cash ROIC is no PAT with the tax rate adjusted for the fact that there are some non-cash deductions below the operating line that influence the taxation rate of these businesses. We add back the non-cash items and the denominator is what we paid for it and all the CapEx that we've put into the business since the day that we acquired it. So, that's our cash ROIC calculation.

And so, you've got there, what they are in 2017, we've had to assume a month, but we've assumed full year 2017 performance. So, you've got the cash ROICs there. And then, what we've also given you is in the third full year of our ownership of these assets, what were the cash ROICs, and that's a metric that we actually use. I'll come back to that. But, we're always [ph] trying to (04:01:25) understand like not at the moment that we acquire it and not 10 years later, but kind of at an intermediate point, is it going to start to look like a Verisk business. And so, these are the actual third-year cash ROICs that these businesses were producing.

So I won't really belabor any of the lines, except to say that, with respect to Wood Mackenzie, that's less than we thought it was going to be. I mean there's no question about it. We thought it was going to be better than that. We thought it was actually going to be considerably better than that. But two things happened to that business almost simultaneous with our having purchased them.

One was the shape of the commodity price curve took on a shape that it hadn't had in [ph] what case for decades (04:02:15). And so, that did have a suppressing effect on customer behavior when we went out to sign renewals. And the other is you may remember the Great Britain exited the EU. For a business which is 60% denominated in pound sterling, where the pound has suddenly become the world's worst currency, that actually has a suppressing effect on your bottom line.

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And I don't think it's too much of a stretch to say if those two things epic, that most people did not anticipate it, I'm not trying to do a but for, I'm just trying to give you a sense of my confidence in the business. If those two things had not happened, I think there's a very reasonable chance that in 2017 Wood Mackenzie would have been the highest growing part of Verisk, and definitely, the profitability characteristics would have been different, if the currency had not done what it had done.

The other thing I want you to take away from this is the progression from the last column to the next to the last column. So take AIR, for example, so in its third full year as a part of Verisk, the cash ROIC was 15%; today, it's 31%. The thing that happens inside of the kinds of businesses that we do is that they continue to ripen. As long as they continue to grow at even a reasonable rate, they continue to ripen, because the capital intensity of what we do is just really not that great on the one hand – I mean, we're a more capital intense form of the kind of business we are, we've already said that, but in absolute terms, the capital intensity isn't really all that great, on the one hand. And on the other hand, for almost everything we do, the incremental margins are higher than the average margins.

And so, if it just keeps working over time, it really, really ripens. And you can see that effect here. And I wanted to call that out for you, because [indiscernible] (04:04:10) fully is that that's what's going to happen with, for example, the four $100-million-plus acquisitions that we've made in 2017.

[ph] I talked about (04:04:24) Mackenzie, Neal already talked about it and just – I think it's good to acknowledge that 4% ROIC is not what we aspire to, but the fundamentals of the business are actually strong and improving and it is fully a part of Verisk. Verisk is stronger, because Wood Mackenzie is a part of Verisk.

I also want to just talk for a minute, just to kind of grab one other very specific topic in PowerAdvocate, so we haven't had an earnings call since we announced the acquisition. So I just wanted to sort of reinforce for you how Verisk like this business is. It's an absolutely beautiful business. Essentially, what they do, well, maybe this is the way to tell the story, how did they get to where they are.

So the people who founded this business came out of the power generation industry and they said, you know what, we had a terrible problem when we were operating power generation businesses and that is we didn't really understand our pattern of spending. Because the supply chains are complex, you're buying stuff from all over the world, classification of what you're buying is a real problem, so they just had these big blobs of cost.

And when you get to moments where what you really have to do is manage your cost base, they kind of felt powerless. So they said, well, let's kind of find a way to fix that. And so, they started out as have many Verisk businesses, solving a problem for one customer, and then, they do it again and again and again. And at some point, you're dealing with enough companies and you have access to their data that you can then say to them, can I hold on to this and actually turn it into something that can be even more valuable for you.

And so the first order of thing was get me all of your cost data, I will create the taxonomy, I will create the visibility and the tools that will permit you to parse your own spending. When you get enough of the industry data into what you're doing, you can now make a completely new set of observations, which is that thing, that compressor, that whatever, in the market, the spending on that and you've to be very careful about what the context is. Buying that compressor in Brussels should not be compared buying that compressor in Ohio, because landed cost and there may be a lot of differences.

But you have to normalize the data, but from there, you can say, okay, I've cleansed it in that way and guess what the range of spending on, this is a $120 million to $80 million with the center line being $100 million. Why are you

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spending a $120 million? And so, now you can get into these diagnostics that didn't even exist before. And so, now you're not talking just about spend, you're actually talking about what things should cost. That's what PowerAdvocate has done. And at this point, what they do is underpinned by about $2.7 trillion of cumulative spending mostly in the power industry. That's a lot of data.

And where this business is going is taking the same method and applying it to the oil and gas industry, and so, that's where this beautiful synergy with Wood Mackenzie comes from. And that's my example of one of the world's five largest national oil companies, size of just that one relationship high single-digit millions of dollars over a three to four-year period against a business that is clocking along at about $37 million and that's just one. There are a lot of national oil companies, there's a lot of global integrated oil companies. So it's just the beginning of the march.

So it's a very large TAM and it will get better as being a part of Verisk. It already is getting better and it's not even fully a part of Verisk yet, but these joint sales calls in the market have been very, very encouraging. So our four distinctions, again, so like this data set in the same way that I – I hope you got how distinct and unique the data set is inside of Argus or inside of ClaimSearch or inside of Wood Mackenzie. Nobody else has these data.

That's true of this one also. This data set doesn't exist anywhere else. These people came from the industry. They are solving the problem that they couldn't solve when they were a problem of one company. They invented the category and they are highly embedded and becoming more so inside of customer workflows. It's a beautiful business. It is a Verisk business. It fits hand in glove.

So that's the record in terms of acquisitions. I did a little sidebar there into PowerAdvocate, but to come back to what is actually our pattern, as we look at deploying capital into the program of acquisition, we begin with is it a moated business. That's what we're looking for. We're looking for the Verisk model. That's what we want. And we believe that businesses like that will grow forever. Then, we ask the question what's the mutual value-add, so does our distribution make this acquisition better, does our scale, does our technical infrastructure, customer relationships, we're always looking for that.

I will say, by the way, it goes in both directions. Verisk has been very advantaged by having, for example, Argus as a part of Verisk, because, you know that beautiful ClaimSearch platform that Rich was talking about before, 70 million claims a year. Argus, at this point, is aggregating 8 billion transactions a month something like that, 10 billion transactions a month. It's a different scale in terms of data intensity. The rest of Verisk has actually borrowed some of the Argus method, so the value goes in both directions.

So can we make it better, will the purchase generate attractive returns, and then, there's the kind of even more near question about accretion and dilution. And generally, something is not going to start being dilutive by the second year. We're kind of saying well, then, you know, is it really a good idea? So that's essentially what we're doing. We use – we hang out on discounted cash flow. Generally, the hurdle rate that we use in that is about 15%. We use deal specific hurdle rates a little bit. We try to be conservative in sort of mapping out the performance for anything that we buy and we put it through these logic tests in terms of what is it. That's what we did in 2002 when we bought AIR. You've seen the performance there. That's what we did in 2017 with the companies we bought this year.

And we expect that that progression from third year cash ROIC into future cash ROIC will apply to the things that we bought this year. It is true, this is a somewhat higher price environment. I mean acquisitions do tend to cost somewhat more so the range in which we think third year cash ROICs will exist for the four big ones that we bought this year is probably in the 7% to 9% range. You saw a lot of 10s up there. So it's a little bit lower. The

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prices are a little bit higher right now, but it's the progression through time that we expect because these businesses have the same characteristics as everything we do.

So I want to close with this then, which is the business which has the design, has the model which is over on the left, I mean I truly believe will grow forever. I mean I really want Verisk to be a shining example of an outstanding business 50 years from now. I know that sounds silly, because I'll never get to see it, but that's the way we think about it is this kind of enduring value and being well-positioned and very, very moated. Our business is very, very moated. We got our performance goals, that model will yield good growth in these other things.

The two things that we have to kind of make sure are really at work inside of the business in order to get maximum growth out of it and maximum performance. One would be who are our people. So we need business creators, we need people and it's the people that you've seen today and it's also like one and two levels below them. The people that report to them and the people that report to those people. Are they really in touch with what our customers need, are they really in touch with what the new data analytic methods permit, are they really excited about getting on with it and importantly, do they know how to be efficient with capital. In other words, as they try to build something, is it going to be gold plated, is it going to be Silicon Valley, give me $100 million, and then, maybe I'll have something. Well no, that's not the way we do it at Verisk.

In fact, the first question you're going to get asked, if you want to get funding for a new project is who are you working with, meaning, what customer can you point to that can validate this idea, because they're interested enough that they're in the development shop with you. If you can't answer that question at Verisk, you're probably not going to get money for what it is that you want to do. So we need that business creators who are efficient with capital.

And the other thing is as wonderful as the contributory datasets are and I believe they will get bigger as we go forward, the greater contribution to our data stores over the next 2, 3, 5, 10 years is going to be from data sets, my language, more sensed than contributed. So sensed would be what Jeff was talking about. So the plane and the imaging equipment is sensing or telemetry data. So the device itself is throwing off the signal. These will be the larger volume data sets that are emerging in the world and we just need to be good at these too. I mean that's really what it comes down to and these additional data sets will amplify our analytics and make our solutions even more valuable for our customers.

So those are the two things I spent a lot of time thinking about, because as beautiful as the design is, the more of that we can get in great business creators and new data types, the more this whole thing will spin up and grow. But we feel very enthusiastic about where we sit. We've done a lot of investing over the last several years and we feel like we're just right at the point of getting the reward for that.

So that's what I wanted to share with you and I think we have time for a little Q&A. Is that accurate? So and I want to invite up some of my colleagues please. Maybe Nana, Mark, could you come up, Lee, if you would come up please, and Neil.

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QUESTION AND ANSWER SECTION

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

What would you like to talk about. Yes, sir.

Q

Hey. Scott, thank you for today. Really well done. I wonder if you could give us a sense on that targeted 7% to 8% organic growth, what's the contribution from energy, insurance and then ultimately financials, should we think about that business over the course of the next cycle?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah. We expect all of the businesses to be contributing strongly to organic growth. So, I don't know if it was like what fraction of 7% or 8%, but I would say for all of them, the aspiration should be upper single digits or better organic rates of growth. So the only comment I would add to that is that I think that Argus, as it climbs out of 2017 sort of is coming off a slightly discounted base and so I'm hoping and expecting that it will show some really good growth. And I would also say that as Wood Mac climbs out of the environment, there's a time dependency. So that's the distinction I would make but over longer periods of time, I think everything that we do. The TAMs relative to how big we are today. The TAMs are very large relative to how big we are.

Q

And do you think about the EBITDA within the context of a 50% plus goal overall or does that shadow the organic growth kind of going forward?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

I'm sorry, I didn't hear the first part of that.

Q

The EBITDA...

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah.

Q

...within the context of kind of 50%...

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Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah.

Q

...is that still a goal or does that shadow the organic growth in terms of – from a EBITDA growth perspective? Thank you.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Well, we're making independent statements, but they obviously link in the sense that when you're achieving those levels of organic revenue growth, you've created a lot of room for – your EBITDA dollars expand as well. So there is a linkage between the two. But we are pushing for both the growth of the business and the efficiency of our operations and the net of those will be the outcome that I've been talking about here.

Yes.

Q

Hey, Scott. First question is [indiscernible] (04:17:28-04:18:07).

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah. Well, I don't know. Lee, you want to talk about guidance. I mean that was sort of a veiled question about guidance. So you want to talk about guidance a little bit?

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Sure. So, I think – when I think about what's really valuable to investors, I view what Scott talked about today in terms of the longer term goals and revenue growth, how does EBITDA relate to that, what our target is from an EPS standpoint, is probably the more meaningful aspect of guidance. What are we working towards over time? I'm a little reluctant and skeptical to focus on I think the guidance that you may be referring to which is kind of setting specific revenue numbers or earnings numbers for a particular year because there are going to be vagaries within the business that are always going to create noise or frustration around that.

And that doesn't mean that we shouldn't be held accountable towards that growth over time. But I think it's a more productive, a more valuable way to think about the value of the business particularly when you look at these longer-term growth opportunities that you heard the businesses describe today. And even in my past life which was arguably certainly a less predictable business, I just felt that that was – it shifts the focus to a much shorter-term orientation, which I don't think is necessarily the best management metric to be managing towards.

Let me also add in addition to that kind of the growth dimension, certainly, the focus on return on capital over time is a very important metric that we're guiding to. So, hopefully, that gives you some context at least in terms of how I think about that guidance. Two other just related points. One is, I think metrics that provide guidance on the

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complexion of the business and how we manage the business will be something that I think we think about to help you understand where we're headed. And I think that's something that we'll try to do here.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

On your first question, which was kind of two questions really, the pricing effect is in there but one of the things I was trying to say earlier is when you have upper 90s retention on a contract for a particular solution year-over-year, what I want to emphasize is the solution doesn't come back the next year or exactly. It's not like publishing Moby Dick, and it's the same words year-over-year. It's actually different year-over-year.

You may have put new data into it. You may have attached new modules to an existing solution. And so what do you call that? Do you call that the price effect? Do you call that sort of a new product effect? What I'm trying to describe is that there is productivity inside of our business, because we retain so much of what exists and because the products that we – the solutions we produce, I like the word solutions better than products, they're dynamic. And so they actually get more valuable through time.

And I'm going to throw one at you Mark. So just on this point about raising price. So when [indiscernible] (04:21:21) the way that we are, I think in any short period of time, we could probably raise price a lot actually. So let me just put it to you this way. So, let's say – take the industry standard insurance programs and let's say that we came out to the industry two years in a row with a – so this is the risk assessment part of our – or it's inside the risk assessment part of our reporting segment. Let's say that we raised price 15% two years in a row, meaning 15% and then 15% again, what fraction of the customers will still be with us after two years?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

So I think the challenge is they would have a difficult time moving away from us. At the same time, the reason we're growing is because we have a long-term view on pricing and [indiscernible] (04:22:08) our teams, so we're able to talk with executives about new products. We would not be invited in. We would have a difficult time, because they would be concerned the next product they buy will have the same type of pricing that we have on kind of the short-term that [indiscernible] (04:22:21). So, we've taken a very long-term view of pricing, and we feel that that's going to pay off in the long term with new products cross-sell, up-sell, and we think that's what's best for our business to make and develop and cultivate the right customer relationships.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

I mean my number would be, I think, 95% plus would still be...

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

Yeah. I...

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

...customers because they just don't have...

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Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.
A

Very difficult [indiscernible] (04:22:43).

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

...alternatives, but as Mark says, they would have a different view of us as a partner.

Oh, I'm sorry, we're over here. I'm sorry.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

Bill Warmington from Wells Fargo. So, two questions for you. The first is on the 7% to 8% organic revenue growth rate to ask if you could bucket that for us some in terms of price, cross-sell, up-sell, international expansion, new products and then...

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

[indiscernible] (04:23:10) a very healthy mix of all of those. No, really. I mean I'm not trying to be clever, but again, there is a classification problem, which is the same product year-over-year or a multiyear agreement, where there is price escalation. The customers would not give us the price escalation if they didn't think the product was going to show up in year two better than it was in year one. So, I think you do have a classification issue there, but it's a very healthy mix of – we talk about all those things all the time. They are all meaningful.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

I think we have to defer that question to leave a year from now.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Right. 365 days to prepare, so, I'll look forward.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

So, the second question is on PowerAdvocate.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Yeah

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

Right. The EBITDA margin you're expecting is about 30%. Company...

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Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Starting out.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

...starting out. Company margins running, total company margin running closely to 50%. And is that because of the mix of consulting work within PowerAdvocate?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

No.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

And then how would you plan to bridge the margin gap then?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

The margins will naturally increase as this business grows. There are some investments they had to make to create the ability to do what they do today. All that taxonomical work to sort of even know how to deal with, all the spending in the categories, you have to build the capability to pull it apart and then reassemble it and then normalize it across all companies. They've built that machinery, so that's now in place. So the margins will improve.

William A. Warmington
Analyst, Wells Fargo Securities LLC
Q

Thank you.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Yes, [ph] Andrew (04:24:51).

Q

So you can imagine, I'm going to ask a margin question. So will 2018 be a year of reported, so I don't mean underlying, I mean reported margin expansion including the four sizeable acquisitions that were already announced?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

I think so, yeah.

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Q

Thank you.

Alex Kramm
Analyst, UBS Securities LLC

Q

Alex Kramm, UBS. Just coming back to the long, medium-term guidance and the short-term guidance, I think obviously, you laid out the medium-term guidance of 7% to 8%, but then Scott, you just said a few minutes ago that on Argus, next year, should hopefully come out and be faster, and then, on WoodMac that should be a little slower potentially or it would take some more time, but you didn't talk about insurance though. So care to make a comment about 2018 considering that we just had two back to back quarters with outside strength probably from some help in the end market?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Well, one quarter. Yes, I mean, in particular, the third quarter had some unusual storm activity, as I think many people know. Mark, maybe you want to comment in a moment. Not as pronounced in the fourth quarter. We feel very good about the insurance vertical in 2018. I don't know if you want to expand on that?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Yeah. I mean, we sat here today talked about the growth opportunities. I don't want to take us away from the underlying businesses that continue to be strong, continue to build great relationship and growth inside of our existing customer set. So we maintain a very positive outlook on insurance.

Ryan Leonard
Analyst, Barclays Capital, Inc.

Q

Ryan Leonard from Barclays. So just two questions really. So on the M&A front, I mean you've talked a lot. There's a lot of opportunities you guys, obviously, have up there and there's probably a lot of targets in your pipeline. But when we look at that chart that you showed, some of the biggest returns come from the insurance vertical and you obviously talked a lot about international expansion. So I guess in terms of incremental M&A dollar, is there any way you think of that and where it should go, is it opportunity specific, I mean you've obviously done a lot of energy and financial deals this year?

And then, just kind of switching it up on Geomni, it looked like the TAM in the insurance market was only 10% of the actual TAM you identified. So just how do you approach something where the market that you're really looking for is so outside of the core insurance vertical? I mean government was a big piece of it, so just in terms of the sales process and how that maybe changes [ph] on a day-to-day (04:27:18)?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Right. Yeah. Well, I mean, that's one of the reasons why I personally am wildly excited about Geomni is because it does open up this new territory. You're right, I mean you have to have sales and marketing assets which are focused there. I think Jeff said this, but maybe to just underline it twice, the team that we've got is really good at insurance. I'm saying inside Geomni, really gets insurance, mostly because well, contributed to substantially by virtue of the relationship, the partnership with all of our insurance facing businesses. And then, also this PSM

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market, the people that have built our business have basically been in that market for a long period of time. So they know it. I mean they inhabited it already.

So I'm actually enthusiastic about being able to take a capability and to make it effective into a new domain. That's goodness. That helps underwrite the cost of what it is that we're doing.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC
Q

Hi, Toni Kaplan from Morgan Stanley. Scott, at the end, I thought you made an interesting point about the sensed versus contributed data.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Yeah, yeah.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC
Q

I was hoping one, you could sort of repeat the point that you made just so I understand better, but just in terms of sensed as opposed to contributed...

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Yeah.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC
Q

...does that open up sort of the door for more competition and inherently lower margin from that perspective although at the same point I can see how you could get increasing scale and if you're smart about it do really well in that. So I just wanted to understand a little bit better.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Right, yeah. Well, you did a pretty good job.

[indiscernible] (04:28:58)

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

So first of all, the distinction that I'm making is so contributed is we have gone to someone ideally our customer, excuse me and said would you give us this data, now, which grows up in two ways. There is I don't have the solution yet, would you give me the data because you trust me form. Well, actually, there's three ways [indiscernible] (04:29:22) there is regulation is compelling you to make data available and I'm the logical place to put it, that's the second. And the third is, I am solving your problem, your data is therefore in my process, can I hold on to it? So it can grow up in any of those ways. So that's, that's contributed, all of that I'm calling contributed, but somebody said yeah, you can have that.

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With respect to the kinds of datasets that Jeff is talking about, for example, where Geomni is concerned, we don't have to ask anybody. We just cause it to be the case. And there's a lot of other data sets like that inside of our company which are very proprietary and were not given to us by a customer. An example of that would be inside of a commercial property that Mark was talking about before. We really have the only database of over 4 million commercial structures in the United States with all this engineering data. Nobody gave it to us, we caused it to be.

So I would – that's my second broad category which is kind of sensed. What I'm adding to that is that actually, it is sensors that will deliver more and more of that. The collection of those data types will be more and more automatic. So hopefully, that helps in terms of describing the distinction. And then, sort of kind of on the path that you're on there in terms of, is it differentiated or not. It has to be the case that potentially there is more competition. If you didn't have the privilege of somebody giving it to you, you have to say that, and yet, at the same time, as we look at some of these categories, so I could take telemetry data from cars. I could take remote imagery for purposes of understanding what's on the surface of the planet. There are more companies that might say I'm doing something about that, but the actual number that are going to get anywhere close to the breadth of the data assets that we already have and will have, it's like one other company maybe. So there's something about focus and determination. And then, the last point is, obviously, it's not just a signal, it's turning it into actionable knowledge.

And we feel like we've just got these tremendous advantages in terms of the end markets we're serving. So we're naturally the ones to bring the signal in and interpret it and put it into the end markets. And when you set all of that, so generating the signal, but also making use of it on the domain. I think we end up in this pretty special place. I don't know anybody want to?

Q

Thanks for taking the question.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Sure.

Q

We very much appreciate all the granularity you gave around capital allocation and sort of score carding yourself on the acquisitions and the share buybacks. When I look at that data, the share buybacks look excellent and you compare it to sort of the cohort of the smaller deals, less than $100 million, with the 12% IRR. You got a better IRR in every single year of buybacks. So when I look at the data, I just wonder is there something that's not being captured in that IRR measurement for the small deals, that maybe means there's more value beyond what the financial numbers would say and kind of the same question on the large deals too. Out of the six that you highlighted, two aren't in that IRR number, so is there again something else that you point to that makes it really obvious that you shouldn't do more buybacks?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Right. So and I know my friend here wants to say a lot, so maybe I can just start real quick. So the two that we didn't comment on, one has been the part of the family in very short period of time. It's just a little soon I think to

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be trying to tote up IRRs. But the other one was the MediConnect, was the part of the healthcare business that we sold. So that was simply why we didn't register the numbers there, except for the third year ROIC. There's no 2017 ROIC, we don't own it anymore. There's no 2017 IRR, we don't own it anymore.

And the other thing I wanted to say is, yeah, there is a contribution from the smaller transactions that doesn't show up in that 12%. Again, I would say, by the way, conservatively, to me, conservatively calculated, but you'll have your own opinion about that, but they make us more vital in the end markets that we serve. Our customer facing people are that much more relevant, they're that much more interesting to our customers because they can talk about all this and the thing that we added as well. So it does contribute to the vitality of the business overall.

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.
A

Yeah. So two points I want to make on that. And you certainly want to have benchmarks to evaluate that use of capital. And I think share repurchases are kind of a special category, because there is implicitly a market return element in that IRR for the share repurchase, which we don't control. And I think Scott alluded to it when he was talking about it. It's going to be driven by what happens within the market. There will be some relative performance that may be attributable, but it's useful to look at that to see what the returns are.

The other element that I would point out is that the terminal multiple that we used in the IRRs was just a market average multiple. And I think that's a conservative estimate, because I would submit that I think for a lot of those fields, the value of those businesses in terms of their growth, their operating leverage and the potential margin is substantially higher than that. We wanted to provide that as a base to report out across all of the deals what those IRRs look like. But I think that's probably an inherently conservative estimate of that. So I think you have those comparability issues that you need to take into account when you're looking at it. It is a, you know, an apples to oranges comparison in that regard.

George Tong
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. George Tong with Goldman Sachs. I want to go back to your long-term target financials, Scott, specifically the 7% to 8% organic top line growth. Over what time period do you aspire to hit that target, especially given the aggressive push you're making into new geographies and new products? And then secondly on incremental margins, what level of minimum top line growth do you need to see to achieve margin expansion given you are already an industry leader in margins?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

Right. So that statement, that 7% to 8% is an on average statement for the next five years. So hopefully that's clear. Essentially, if our rates of organic growth, I mean, I – like...

George Tong
Analyst, Goldman Sachs & Co. LLC
Q

Yeah.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.
A

...I mean you guys can feel it inside your own businesses, so anybody please answer. But I think that once you've gone kind of up to the – I don't know like 5% to 6% range on organic growth, there is a pretty good opportunity for

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margin expansion. And it really depends on how aggressive you are in terms of reinvesting, I'm stating the obvious, but someone, I don't know what you guys see...

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Our compensation typically would have cost of salary and benefits going [ph] at about (04:36:40) 4% a year. So with the operating leverage in our business, it doesn't usually take a lot of additional people to service or implement a new customer. So once you get above that 4%, 5%, operating leverage kicks in and to Scott's point, it's how much do you want to invest back in, that's kind of I think how we see in many cases.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Except for Jeff Taylor, he is hiring every pilot that doesn't work for Delta Airlines.

[indiscernible] (04:37:08)

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

[ph] Jeff, do you have anything (04:37:11)?

Jeffrey C. Taylor
President-Geomni, Verisk Analytics, Inc.

A

No, I agree with Mark.

Q

Hey, hi, thanks. Just wanted to follow up on the content and the data. In terms of expanding outside in insurance and into new geographies, especially outside the U.S., what gives you confidence that you can gain the same kind of foothold in terms of the content and data that you have in the U.S. especially coming from the U.S.?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Meaning will the same data assets be available to us in other countries?

Q

Exactly, outside the U.S.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Over longer periods of time, yes, but in the beginning, it will be – I think Mark answered that – addressed that very nicely when he talked about VIS. So, the way it will get started is individual customer relationships, they, of necessity, have to give us access to their data in order to produce the answers, the solutions that we produce. So of necessity, they'll be providing it to us. So when Mark was talking about Sequel, that's good business in and of itself. And it is analytic and it is data driven, but it's solving problem for one customer. But just like the

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PowerAdvocate, you solve the same problem for enough customers and then you can add more value, if you can pull together all of the observations, so that's the way it's going to happen in these other markets and it's time dependent. It won't happen overnight.

Q

Thanks.

Gunnar Hansen
Analyst, RBC Capital Markets

Q

Hi. Gunnar Hansen, RBC. Lee, I appreciate you speaking and giving some commentary on particularly, not only on the guidance, but also just the capital allocation, whether it's buybacks or – and I wonder if given that you've kind of, as far as [ph] initiating (04:38:50) a dividend and a policy at your prior employer, what your philosophy in general is over kind of a dividend within the broader context of the capital allocation strategy and without – given the fact, you've only been there for a limited amount of time, if you were to care to share kind of how that broader dividend policy could fit into a framework of a company such as this?

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Okay. Touching question. So, first, let me start with, I think any capital strategy has to be founded on, first, understanding how the business generates capital, where it comes from, what the dynamics of that are. Relative to the guidance question, certainly the stability of that ongoing stream of capital is important. And then you look at your potential applications and what I would like to do, what I would hope to do is develop a framework in which we can understand the dynamics of that capital, its stability, its predictability and understand what the opportunities are for that, whether it's internal investment, external investment, share repurchases or potentially a dividend, which clearly is a component that you can consider. That ultimately is the responsibility of the board to determine that policy, but I think that it certainly is a very legitimate application of capital. It's one that I think can be used to underscore the stability of a company's profitability and you have to take into account investor preferences and how it changes the way investors think about the business. And I think it plays a very legitimate role in that regard that we will factor in.

So, hopefully that gives you some context that's the way that we think about it, but we're going to do a very thorough analysis of each of those elements. How do we generate it, what are its characteristics, what are all of our alternatives, and what do we think from an investor standpoint is the best path to creating value for shareholders.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

And I'll just add to that. I have invited – I've encouraged Lee to take a very clean sheet approach to our practices with respect to all dimensions of capital allocation. And I mean, we've been a public company for eight years. To me, it would be very natural for our processes to modify [indiscernible] (04:41:09) as we go on, so I think it's great to have Lee in, it's a good idea to always look at these things.

I think we have time for one or two more. Let's just make sure anybody who hasn't had a chance to ask a question gets the opportunity.

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Arash Soleimani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks. Arash with KBW. So just a quick question on AIR. When you have an event like Hurricane Maria and AIR puts out estimates for the event. I know AIR was, first, in the $40 billion to $85 billion range that went way down, whereas some competitors may have been closer from the beginning. Does that impact in any negative way the perception of AIR in the marketplace?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Do you want to take it?

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

I will. All right. So first of all, let me remind everybody that we have PCS, so we kind of have the scorecard by which we benchmark what the costs are in the industry. And I can look back in time with a very great track record to say, AIR has always outperformed in accuracy of estimates. So, [ph] first of all, stated (04:42:17). I think what you're really referring to is Puerto Rico in particular, inside of Puerto Rico, I think what we have done is, one, the severity of the storm at least was a little bit less than we expected.

But more importantly, there's still a lot of aftermath happening. There are some big industrial plants there that for the most part went out of business for a while, so there's business interruption, and to the extent that there's going to be lawsuits and others to decide what that business interruption insurance is going to cost the industry is still to be determined. So, realize that the estimate was very solid with probably some variability around some of these big industrial plants in Puerto Rico and the jury is still out as to how big that exposure is going to be. And, I think, honestly, AIR was the only one that was on that point of that potential big exposure that we identified.

[indiscernible] (04:43:12)

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

A

Yeah, [ph] Bill (04:43:16), please. How do you do, [ph] Bill (04:43:18)?

Q

Great.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Only add one more thing, I think, there's estimates in real time. People also use the models which – to price their underlying risk and I think the confidence people have had in the way we implemented science over time, it gives people the most confidence in our solutions. I think some of our competitors have whipsawed the industry four, five times and that has real capital and pricing impacts and I think the confidence we built up over 15-plus years is what people in the end look to, as opposed to the events. Harvey, Irma, people – we just talked to one of our largest clients, they are very happy with where we were on that one. But Mark, made all the right points.

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David E. Cohen
Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

A

So, I don't think, you've had a chance to ask quite yet, you sir right here, yeah. And then I think we need to tie it off at this point.

Q

Thank you. There was a good slide on the WoodMac presentation that showed how the clients had rebased their costs and their cash flow in the current environment. And just had me wondering, can WoodMac grow at a high-single digits or double-digit rate at today's $56, $57 oil price or do you need it to really go above and beyond that level?

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

I think certainly if oil price was above $56, $57, it would help. But I think the key thing here is time. So, if you look at the oil price and WTI stays where it is, give it another six months, our clients are continually [ph] rebasing down (04:44:50) their cost line and we're nearly there. As I mentioned in the Q3 results when you look at people's share buybacks, what they're saying about dividend, we're nearly there.

David E. Cohen
Assistant Vice President, Investor Relations and Strategic Finance, Verisk Analytics, Inc.

Okay. All right. On behalf of the whole Verisk team, thank you all for your time, for your support and your interest. Please remember the surveys. We value your feedback. If for some reason you forget to fill it out, we will send an electronic version as well. Thank you.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thank you.

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Thank you.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

Thank you for being here.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thanks for coming.

Mark V. Anquillare
Executive Vice President & Chief Operating Officer, Verisk Analytics, Inc.

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Appreciate it.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thank you.

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