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# Verisk Analytics, Inc. (VRSK)

Q3 2025 Earnings Call

## CORPORATE PARTICIPANTS

**Stacey Jill Brodbar**

*Head-Investor Relations & FP&A, Verisk Analytics, Inc.*

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

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## OTHER PARTICIPANTS

**Manav Patnaik**

*Analyst, Barclays Capital, Inc.*

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*

**George Tong**

*Analyst, Goldman Sachs & Co. LLC*

**Ashish Sabadra**

*Analyst, RBC Capital Markets LLC*

**C. Gregory Peters**

*Analyst, Raymond James & Associates, Inc.*

**Kelsey Zhu**

*Analyst, Autonomous Research US LP*

**Jeffrey M. Silber**

*Analyst, BMO Capital Markets Corp.*

**Alex Kramm**

*Analyst, UBS Securities LLC*

**Russell Quelch**

*Analyst, Rothschild & Co Redburn*

**Scott Wurtzel**

*Analyst, Wolfe Research LLC*

**David Motemaden**

*Analyst, Evercore Group LLC*

**Jason Haas**

*Analyst, Wells Fargo Securities LLC*

**Andrew Nicholas**

*Analyst, William Blair & Co. LLC*

**Jeffrey P. Meuler**

*Analyst, Robert W. Baird & Co., Inc.*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone, and welcome to the Verisk Third Quarter 2025 Earnings Results Conference Call. This call is being recorded. Currently, all participants are in a listen-only mode. After today's prepared remarks, we will conduct a question-and-answer session. We will limit participants to one question so that we can allow time for everyone to ask a question. We will have further instructions for you at that time.

For opening remarks and introductions, I would like to turn the call over to Verisk's Head of Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

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### Stacey Jill Brodbar

*Head-Investor Relations & FP&A, Verisk Analytics, Inc.*

Thank you, operator, and good day, everyone. We appreciate you joining us today for a discussion of our third quarter 2025 financial results. On the call today are Lee Shavel, Verisk's President and Chief Executive Officer; and Elizabeth Mann, Chief Financial Officer and Interim Head of Claims.

The earnings release referenced on this call, as well as our traditional quarterly earnings presentation and the associated 10-Q, can be found in the investor section of our website, [verisk.com](https://www.verisk.com). The earnings release has also been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dialing.

As set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance, including those related to our financial guidance and our recently announced pending acquisition of AccuLynx. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

A reconciliation of reported and historic non-GAAP financial measures discussed on this call is provided in our 8-K and today's earnings presentation posted on the investor section of our website, [verisk.com](https://www.verisk.com). However, we are not able to provide a reconciliation of projected adjusted EBITDA and adjusted EBITDA margin to the most directly comparable expected GAAP results because of the unreasonable effort and high unpredictability of estimating certain items that are excluded from projected non-GAAP adjusted EBITDA and adjusted EBITDA margin including, for example, tax consequences, acquisition-related costs, gains and losses from dispositions, and other non-recurring expenses, the effect of which may be significant.

And now I'd like to turn the call over to Lee Shavel.

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### Lee M. Shavel

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thanks, Stacey. Good morning, everyone, and thanks for joining us today for our third quarter earnings call. Today I will provide broad context on the results and allow Elizabeth to go into more detail on the financial review. I will also offer some relevant perspective from recent C-suite meetings with our largest clients. Finally, with AI being a focus for investors in our sector, I will update you on the AI enhancements that we've delivered and are developing for our clients and what we believe AI represents for the industry and for us in the coming years based

on extensive engagement with our clients on the topic and ground truth experience from our active AI enhanced solutions.

Now let's turn to the third quarter results. Verisk delivered organic constant currency revenue growth of 5.5%, driven by strong subscription revenue growth of 8.7%. This growth compounded on top of the solid growth delivered last year. In the quarter, we experienced an exceptionally low level of severe weather, resulting in a decline in claims assignments across our Xactware system. This and other factors drove transactional revenue declines of 8.8% on an OCC basis.

Despite the transactional revenue impact, we delivered 8.8% OCC adjusted EBITDA growth with expanded EBITDA margin of 55.8%. Looking at our year-to-date performance, we've delivered 7.1% OCC revenue growth, 9.4% OCC adjusted EBITDA growth and a 56.3% margin, which reflects the underlying strength and resilience of our business and is fully consistent with our organic guidance for the year.

Our strong subscription growth reflects continued strategic engagement with our clients and a much improved dialogue on the value that we are delivering and how we can tailor our solutions to their individual needs.

As an example, last month, I attended with several of my direct reports the CIAB Insurance Leadership Forum in Colorado and hosted 40 strategic client meetings. What we heard consistently from our clients was, one, that they need more data from us to better integrate across their businesses and functions, and they've demonstrated in new solutions like excess and surplus that they're willing to increase their data contributions; two, a high interest in the AI enhancements that we've developed using our data sets where they can get immediate benefit without heavy investment; and three, strong support for the efficiency driving multi-partner integrations that we provide in our property estimating solutions and specialty business, and that we are developing an anti-fraud and extreme event solutions. It is for this reason that we remain committed to investing in integrations to deliver value to clients.

I'd also highlight three meetings just in the past month with clients where we have not had previous C-suite engagement. These discussions included comprehensive reviews of where we support these clients across underwriting, risk and claims. But most importantly, our discussion centered around future planning on how we can integrate and augment that support to align with our operating, data, AI, and financial objectives, elevating and adapting to how our clients are evolving in this ever changing environment. In every meeting, the conclusion is that there is more opportunity for us to work together.

Concretely, our elevated strategic engagement is leading to more pipeline opportunities. And in fact, 2025 is on track to be our strongest sales year yet, with sales teams across Verisk exceeding an ambitious quota for the second straight year.

Digging into our AI strategy further, and given the heightened focus on the topic from investors and analysts, I believe it's important to share a few perspectives on what we are doing and what we've been experiencing. First, AI is top of mind for our clients as well. They have been exploring the technology and its potential and have turned to Verisk as an active partner in helping them evaluate use cases and to support their operational objectives with our data sets and content.

Through our strategic engagement, our Chief Information Officer and Chief Global Data Officer have participated in meetings to help our clients on key issues including data architecture, vendor management and governance. Additionally, many of our clients want to understand Verisk's AI investment and deployment strategy so that they can align and prioritize their own investment. This underscores the connection we have to the industry and its

support for the fundamental and central utility function we provide by developing and deploying a technology that the industry can benefit from at a much lower cost of ownership and investment.

Second, and proceeding from the first, our deployed AI applications have been enthusiastically embraced by our clients. As an example, in XactXpert, where we utilize AI to advise claims professionals in estimate review, we now have over 40 clients using the solution, including 6 of the top 10 carriers and year-to-date sales performance is now more than double original quotas, and XactXpert can now be further enhanced by XactAI, adding Gen AI capabilities like photo tagging through a new solution, which launched just this month and already has 273 users, including a top 10 carrier.

On the development front, we've had very positive reactions to our AI query tools for ClaimSearch and [ph] Savvy R (08:56) for regulators with about half of our 30 [ph] Savvy R (09:01) states signed on, allowing our clients to more easily interrogate our data through natural language interfaces.

Third, it's all about the data. AI relies on high quality and usable data to train the models. And I can say with confidence that Verisk's content, which includes data, language, analytics and models, is built upon proprietary data that is not publicly available and is structured, cleansed, vetted, and designed by us to take advantage of the power of AI.

Additionally, our clients continue to reinforce the value of our content and the importance of integrating it into their workflows. Our investments in Core Lines Reimagine and the success we've had as demonstrated by our subscription growth is the clearest evidence that our curated data sets remain the fuel that powers insurance analytics.

While it is still early, we are experiencing increased usage of our content as the introduction of AI tools in certain of our solutions is making it easier for our clients to interact with, driving value for our clients. Further, we continue to grow the number of contributors to our existing data sets, onboarding 10 new statistical data contributors so far in 2025. Verisk clients are also actively supporting our new initiatives to build greenfield contributory data sets across anti-fraud and for the excess and surplus lines. Specifically our new Digital Media Forensics currently has 106 contributors, including 5 of the top 10 carriers representing over 600 million digital images.

With E&S, insurers are responding positively to our initiative to collect data for this growing market. We began this initiative less than a year ago and have already received commitments and actual data from several companies, representing billions of dollars of premium. Our ability to provide analytics on their data and benchmark this data to the admitted market leveraging our statistical data is also driving additional interest in contribution.

Fourth, it's not just about AI. While AI is a powerful tool making the insurance industry better requires human expertise and collaboration. We are connecting ecosystems across the industry that bring material efficiencies and improved data sets to drive better results. Our Whitespace and Xactware platforms are compelling models of the value we can deliver to clients across the industry.

Fifth, AI is enhancing our own internal processes and product development as we leverage advanced technologies to better ingest and interrogate data to advance our models and analytics. In our Extreme Events business, we are using the power of AI to simulate globally correlated atmospheric perils with a level of realism and reliability that traditional approaches cannot achieve.

Specifically, we are using deep learning AI models to correct biases in raw output of a climate model, ensuring that the frequency and intensity of Extreme Events align with observed reality. In addition, we're also using generative AI techniques to introduce details that capture the local impact of these large events.

In short, our clients are more interested in working with us on AI because of our experience and the economic utility of using our solutions. Our proprietary data is more valuable with increasing AI utilization because of its breadth and usability. Our clients are contributing more data and actively supporting the development of new contributory data sets, demonstrating their commitment to Verisk's partnership. Our growth opportunities are expanding by the rapid adoption of solutions like XactXpert and the robust pipelines we have across many of our new inventions.

We have been investing in these solutions and enhancements for several years while maintaining our strong margin profile. And finally, we believe our long-term growth and margin model is enhanced by the integration of AI into our own processes and across the industry overall. Beneath the near-term light-weather impacts reflected in our current quarter's results is clear and unmistakable evidence that our strategic engagement initiatives, enhanced go-to-market strategy, and product invention, including AI, are enhancing the value of our data and expanding our growth opportunities.

Before I turn the call over to Elizabeth, let me share recent developments on the AccuLynx transaction. FTC approval of the transaction has been delayed. We have received a second request for information and we continue to have productive engagement with the FTC, working within the conditions of the federal government shutdown. Consequently, we do not expect to realize any material benefit from the pending transaction in 2025 and have removed any operating results from our 2025 guidance. We are proactively engaged with the FTC and continue to believe in the strategic and financial merits of the transaction.

With that, I'll turn it over to Elizabeth for the financial review.

## Elizabeth Mann

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Thanks, Lee, and good morning to everyone on the call. On a consolidated and GAAP basis, third quarter revenue was \$768 million, up 5.9% versus the prior year, reflecting growth across both underwriting and claims. Net income was \$226 million, a 2.5% increase versus the prior year, while diluted GAAP earnings per share were \$1.61, up 5% versus the prior year. The increase in diluted GAAP EPS was driven by sales growth, operating leverage, and a lower average share count.

Moving to our organic constant currency results adjusted for non-operating items as defined in the non-GAAP financial measures section of our press release, our operating results demonstrated balanced growth across the business. In the third quarter, OCC revenues grew 5.5%, with growth of 5.8% in underwriting and 5% in claims.

We did experience two temporary factors that impacted growth in the quarter, namely, first, a historically low level of weather activity and therefore claims volumes that were significantly lower than our estimate of a typical year; and two, the reduction in a government contract, which we had spoken to you about previously. Together, those factors combined for an impact of approximately 1% to overall Verisk's OCC revenue growth in the quarter. We view these factors as temporary and continue to have confidence in our ability to deliver results in line with our long-term targets for this year, for 2026, and beyond.

The clearest demonstration of the health of our business is the growth of our subscription revenues. Subscription revenues, which comprise 84% of our total revenue in the quarter, grew 8.7% on an OCC basis, compounding on

the 9.1% OCC growth we delivered in the prior year quarter and consistent with growth levels in the first half of the year. This quarter's growth was broad-based across most of our subscription-based solutions with outperformance across our largest businesses.

Within forms, rules, and loss costs, we continue to execute on our innovation agenda through the Reimagine program, which is driving solid price realization in the renewal process across all client tiers. In the third quarter, we launched three new modules as the latest demonstration of the increased value we're delivering to clients and the industry. For example, our new Indications Center delivers key rating elements to our clients two months sooner than our traditional loss costs review process.

This allows insurers to begin responsive rate action sooner and more confidently when incorporating Verisk data into their pricing and underwriting management. We remain on track to deliver all 20 planned Reimagine releases in 2025, reinforcing our commitment to innovation and execution discipline. We are also driving double-digit subscription growth in Extreme Events solutions through the expansion of contracts with existing clients, solid renewals, and the addition of new logos globally, including competitive wins.

We are seeing strong appetite from clients to subscribe and expand their hosted relationship with Verisk in preparation for the transition to our fully SaaS-based Verisk Synergy Studio, creating a more durable and more deeply aligned client partnership. Within our anti-fraud business, we have continued to achieve strong price realization through enhancement of the solution and the continuation of our ecosystem strategy. In addition, we have driven outsized growth with non-carrier clients like third-party administrators and healthcare subrogation companies, as we are focused on building and expanding solutions specifically geared for their use cases.

Additionally, we are seeing meaningful interest in our advanced anti-fraud inventions, including Claims Coverage Identifier and Digital Media Forensics, and have a rich pipeline of future opportunities. And finally, we delivered double-digit subscription growth across our specialty business solutions and life solutions businesses, where we are driving new sales and expanding relationships with existing clients.

Our transactional revenues, which comprise 16% of total revenues, declined 8.8% on an OCC basis. The principal factor for the transactional revenue decline was lower transactional volumes in our property estimating solutions business, resulting from historically low levels of weather activity. Weather events in the third quarter, as tracked by NOAA, declined 18% versus last year and were 31% below the five-year average. According to Verisk's own PCS data, third quarter weather event frequency and severity declined 30% and 78%, respectively, on a year-over-year basis.

In fact, this third quarter marked the lowest level of storm events in the US since 2017, and 2025 is on track to be the first year since 2015 without a named US hurricane to make landfall so far. This has translated into lower level of transactional claims assignments and fewer subscription overages across our property estimating solutions business. This quarter of lighter weather activity has validated our strategy to increase the level of subscription volume in our PES business, as it has reduced the weather-related variability for both us and our clients.

As discussed last quarter, we continue to see softness in our personal lines auto business, relating to competitive pressures. In addition, we are experiencing tougher comparisons on certain non-rate action deals, as carriers have been more successful, achieving greater rate adequacy. Finally, transactional revenue growth was negatively impacted by ongoing conversions to subscriptions across our business. As we look ahead to the fourth quarter, we remind you that we do have another very tough weather comparison, as last year we saw enough lift in revenue from Hurricanes Helene and Milton.



Moving to our adjusted EBITDA results, OCC adjusted EBITDA growth was 8.8% in the quarter, while total adjusted EBITDA margins, which include both organic and inorganic results, were 55.8%, up 60 basis points from the prior year. This level of margin expansion reflects our ongoing cost discipline, including the benefits of our global talent optimization as well as the core leverage from sales growth.

It also reflects continued investment in our business across many projects, including Core Lines Reimagine, Verisk Synergy Studio, and in new and advanced technologies including AI. Over the past five years, we have delivered over 500 basis points of margin expansion, while self-funding investments in some large-scale transformative technology and product upgrades, including our cloud migration, Core Lines Reimagine, the ERP implementation, and artificial intelligence. Specific to AI, we continue to develop inventions across our business units that include AI, and as Lee mentioned, we have many solutions commercially available today, and we have confidence that, like our other tech transformations, we will be able to self-fund this investment while also continuing to deliver margin expansion in line with our target.

Moving down the income statement, net interest expense was \$42 million in the third quarter, compared to \$32 million in the same period last year, due to higher debt balances and higher interest rates offset in part by higher interest income on elevated cash balances. During the third quarter, we acted opportunistically to take advantage of favorable bond market pricing and issued \$1.5 billion in senior notes to finance the announced acquisition of AccuLynx. We are earning yields on those cash proceeds, which significantly reduced the net interest expense.

Our reported effective tax rate was 25.3%, compared to 22.9% in the prior year quarter. The year-over-year increase was driven by a lower level of employee stock option exercise activity in the current year and a one-time tax benefit in the prior year period. We continue to believe that our tax rate will fall in the 23% to 25% range for the full year.

Adjusted net income increased 1% to \$241 million, and diluted adjusted EPS increased 3% to \$1.72 for the quarter. The increase was driven by revenue growth, margin expansion, and a lower average share count. This was partially offset by higher depreciation and interest expenses and a higher tax rate.

On a reported basis, net cash from operating activities increased 36% to \$404 million, while free cash flow rose 40% to \$336 million. This increase was driven primarily by an improvement in the timing of collections as well as lower cash taxes paid due to changes in the tax code associated with the treatment of research and development costs.

We remain committed to returning capital to shareholders. During the third quarter, we paid a cash dividend of \$0.45 per share, a 15% increase from the prior year. Additionally, we repurchased \$100 million of common stock. As of September 30, we had \$1.2 billion in capacity under our share repurchase authorization.

Turning to guidance, though it is not our typical practice to update guidance following three quarters, we want to provide more transparency given the recent delay in approval for the AccuLynx transaction. We do not expect to realize any material financial benefit from the pending transaction in 2025 and have therefore removed any operating results from our 2025 guidance.

More specifically, we expect consolidated revenue to be in the range of \$3.05 billion to \$3.08 billion. We expect adjusted EBITDA to be in the range of \$1.69 billion to \$1.72 billion and adjusted EBITDA margins to remain in the 55% to 55.8% range. We now expect net interest expense to be in the range of \$165 million to \$185 million, reflecting the impact of cash earned on the proceeds from the bond transaction.



From a tax perspective, we are still expecting to be in the range of 23% to 25%. Taken all together, we continue to expect diluted adjusted earnings per share in the range of \$6.80 to \$7.00. A complete listing of all guidance measures can be found in the earnings slide deck, which has been posted to the investor section of our website, verisk.com.

And now I will turn the call back over to Lee for some closing comments.

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### Lee M. Shavel

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Thanks, Elizabeth. We are excited about the growth opportunities ahead and have confidence in delivering on our long-term strategy and driving value creation for shareholders.

We continue to appreciate all the support and interest in Verisk. Given the large number of analysts we have covering us, we ask that you limit yourself to one question.

With that, I'll ask the operator to open the line for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. The floor is now open for questions. [Operator Instructions] Your first question comes from the line of Manav Patnaik of Barclays. Your line is open.

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### Manav Patnaik

*Analyst, Barclays Capital, Inc.*

Hi, good morning. Thank you. I just had a question on the deal. You obviously included in the guidance last quarter, you raised the debt, so you were pretty confident in the closure. So I was just curious what – if you could give us some more color on perhaps what's in question here. And somewhat tied to it too, I noticed you had that strategic agreement with ServiceTitan as well, which I think you said was the main competitor to AccuLynx. So how does all that play into this, if you could help us with that?

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### Elizabeth Mann

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah, Manav, thanks – thanks for the question. Look, the FTC is reviewing the deal and we continue to work collaboratively and expeditiously with them through the government shutdown. So we're making progress towards approval of the deal. On ServiceTitan, we announced a partnership with them through our property estimating solutions business. And so they integrate through the Xactware platform. I'm not sure we would say they are the main competitor of AccuLynx. They are one because of their recent IPO that people have asked questions about.

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**Operator:** Your next question comes from the line of Toni Kaplan of Morgan Stanley. Your line is open.

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### Toni Kaplan

*Analyst, Morgan Stanley & Co. LLC*

Thanks so much. I was hoping you could talk about what you're seeing in competitive landscape regarding AI startups. You have very strong moat with your proprietary data, but I imagine there're some parts of the workflow

that AI startups are trying to infringe upon. And so just wanted to hear anything you're seeing in the market with regard to that. Thanks.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Sure. Thanks. Thanks, Toni. I appreciate the question. And we obviously described in the opening comments what we've been doing with AI. And so, certainly relevant to that is what we are seeing and what our clients are seeing. And I think as you suggest, there are a lot of general AI companies that are looking to apply their large language models to kind of broad data sets or individual client data sets, others that are coming up with kind of bespoke solutions for specific functions. But I think as you allude to, without access to kind of the proprietary content in terms of data sets that we have, expertise, specific knowledge of the insurance industry challenges that they face, it's difficult to achieve scale in delivering value for clients.

That's why we feel we're in a very strong position to be a partner to our clients, given the expertise, given the data set. We've seen receptivity. And there also is a higher degree of confidence that we're able to deliver and be a reliable partner with them on their AI efforts. But it is something that we continue to monitor to determine if it is a solution that a client sees value in, and we can be supportive in providing data, that becomes an opportunity for us. And it's also very consistent with the connected ecosystem that we have developed in our property estimating solutions area and are developing in other dimensions of our business. So if it is something that is relevant and our data sets are valuable and it delivers value to the clients, that becomes an opportunity for us to participate in.

**Toni Kaplan**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you.

**Operator:** Your next question comes from the line of Faiza Alwy of Deutsche Bank. Your line is open.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Yes, hi, thank you. Lee, thank you for the comments you made upfront around the continuing strategic dialogue with your customers. You mentioned a few things like increasing usage and more contributory data. I'm wondering if you can share your thoughts around future pricing opportunity, especially in light of decelerating net written premiums in the insurance industry that we're hearing. And I understand that there isn't a formula, but just curious how you're thinking about that future pricing opportunity given the various dynamics.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, thank you very much for the question, Faiza. We think it is a very real opportunity, first and foremost, because I think both we and our clients recognize that we can provide incremental value to them in a variety of ways. And in those strategic dialogues, the elements that we discussed and I'll kind of relate to the revenue – the revenue opportunity is, for instance, most directly as we've experienced with XactXpert, as we're experiencing with XactAI and developing in other areas, we have been able to deploy an AI enhancement to their productivity that adds value and we have been able to realize upsell revenue from that enhancement. So that is a very clear, direct, and immediate opportunity that we're executing on.

Secondly, the ability to integrate our data sets either directly into their AI strategies or integrating our own data sets to meet some of their functional objectives is incremental value for them and so that becomes an element, an

opportunity for us as we are looking at our subscription contracts, where we have the ability to factor that in, recognizing that we're creating value and so there's an opportunity to participate in that. I would draw a connection to the very strong subscription growth that you are seeing across our business is a function, in large part, of the modernization of our data sets through our Core Lines Reimagine function that has expanded our clients' ability to utilize our data sets and integrate them into their workflows. So it's a natural expansion on that front.

And then finally, as I alluded to in the call, we're using AI to improve the quality of our underlying products. And I specifically noted our use of it in the cat modeling area. And so we're strengthening that product. And if it is a stronger product competitively, delivering more value to our clients, that naturally becomes a pricing opportunity. And we've seen very strong subscription growth from our cat modeling area as well, I think reflective of that continued investment and innovation within that product set.

**Faiza Alwy**

*Analyst, Deutsche Bank Securities, Inc.*

Great. Thank you.

**Operator:** Your next question comes from the line of Andrew Steinerman of JPMorgan. Your line is open.

**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*

Hi. Elizabeth, I heard your list of kind of dynamics around the auto underwriting solutions revenues, and that the main product there is LightSpeed. The things I didn't hear you say on that list was when looking at that end market, auto underwriting growth of their policies has been decelerating. That's kind of been well documented during earnings season. And I thought that might be a headwind as well, as well as just the level of shopping around auto. And if you could just highlight for us what you guys currently see as the uniqueness of LightSpeed with insurers now.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah, thanks. Thanks for the question, Andrew. Yeah, that business itself doesn't have any particular linkage to premiums. So, that wouldn't impact the performance of that business. Shopping activity has been in line more or less. So, that hasn't been a major driver of change for that. On LightSpeed, I think we've talked before about the merits of that business, the ability for carriers to deliver a bindable quote in real time and that value continues. So, that strategic benefit is there.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

And Andrew, one other factor is, as – if you – it sounds like you have it, you're observing on the dynamics in the auto insurance rate, rate adequacy has improved dramatically. And as a consequence, some of the opportunities, countercyclical opportunities that we've seen previously in the non-rate action area has been less prominent than it was when profitability on the auto underwriting side was less robust.

**Andrew C. Steinerman**

*Analyst, JPMorgan Securities LLC*

Okay. Thank you.

**Operator:** Your next question comes from the line of George Tong of Goldman Sachs. Your line is open.

**George Tong**

*Analyst, Goldman Sachs & Co. LLC*

Hi. Thanks. Good morning. You mentioned your full year guide now excludes the impact of AccuLynx. Can you clarify how much of the guide reduction was due to the removal of the deal versus other factors like maybe extreme weather coming in lighter than expected?

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah. Thanks, George. As usual for a full year guide, we don't break down the pieces of it. You can kind of map the sequential changes that we've done.

**George Tong**

*Analyst, Goldman Sachs & Co. LLC*

I guess how much of the change is organic versus M&A related?

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah. We've given you the aggregate level.

**George Tong**

*Analyst, Goldman Sachs & Co. LLC*

Okay. Got it. Thank you.

**Operator:** Your next question comes from the line of Ashish Sabadra of RBC Capital Markets. Your line is open.

**Ashish Sabadra**

*Analyst, RBC Capital Markets LLC*

Thanks for taking my question. In the prepared remark, Elizabeth, you've highlighted the difficult comp from hurricanes as we get into the fourth quarter. We estimate that was almost 100 basis point of tailwind last year. So is it right for us to assume that we see an incremental 100 basis point of headwind from 3Q going into 4Q or was some of it headwind pulled into 3Q? So any color there? But also, as we think about other offsets, are there – Lee, you mentioned really good sales momentum this year and last year as we start to see some of those sales translating to revenue into fourth quarter. Are those more going to contribute for 2026 and beyond? Thanks.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah. Thanks, Ashish, for the question. Yes, you're right. In the fourth quarter, we will be comping that strong impact from Hurricanes Helene and Milton that was in the fourth quarter of last year. As we typically say at the beginning of the year, we tend to forecast for an average year of weather. Last year had the significant hurricane impact. And this year is shaping up to be a light year on the weather side. So those factors are likely to persist into the fourth quarter.

In general, on a full-year basis, we are in line with the guidance and the long-term targets. And yes, as Lee talked about, some of the sales opportunity, the momentum that we're having in the sales force and with the new product adoptions will be continuing into next year.

**Ashish Sabadra**

*Analyst, RBC Capital Markets LLC*

Thanks.

**Operator:** Your next question comes from the line of Gregory Peters of Raymond James. Your line is open.

**C. Gregory Peters**

*Analyst, Raymond James & Associates, Inc.*

Good morning, everyone. So I'll focus my one question on the cash flow numbers. I know, Elizabeth, you called out some discrete items like tax. And I'm not sure to the extent other variables might be affecting it. But I think from a bigger picture perspective, is there any step change in your conversion rate for free cash flow on an annual basis? And if so, what are the driving factors on that? Or I guess when I think about free cash flow for 2026, I'm just wondering how I should look at your results in the third quarter and extrapolate that into how I think about next year.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah, thanks. Thanks for the question, Greg. And we're happy to highlight the strong free cash flow in this quarter and for the full year. I called out there was a cash tax benefit in this third quarter. There was also – if you look on a year-to-date basis, there was a first quarter tax refund. If you normalize for those, the free cash flow growth, I'd call it strong double digit. Another benefit that's helping us this year, although there's some quarterly variability to it, is we are seeing better collections and lower DSOs as we take advantage of the Oracle, the ERP implementation that we've had. So, there's some quarterly variability in that, but an improvement over last year.

If you strip through all of that, we'd say probably the free cash flow growth is roughly in line with EBITDA growth. But that's kind of an ongoing benefit that we expect to continue. And so, yeah, this strong free cash flow growth is and will be the fuel to continue to drive our capital allocation engine, and we can choose to deploy that in continued organic investment in M&A and in return of capital, where we have and can continue to lean in.

**C. Gregory Peters**

*Analyst, Raymond James & Associates, Inc.*

Thank you.

**Operator:** Your next question comes from the line of Kelsey Zhu of Autonomous Research. Your line is open.

**Kelsey Zhu**

*Analyst, Autonomous Research US LP*

Hi, good morning. Thanks for taking my question. You called out the competitive pressure in auto two quarters in a row now. So, I was just wondering if you can give us an update on what is happening in that market and your strategy to maintain or expand share in that market. Thanks.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah, thanks. Thanks for calling out, Kelsey. It's nothing new from last quarter. It's just the financial impact, which is in line with what we had called out in the last quarter, so no change. I think on there, we're spending time from a product side. We are focusing on the client feedback and the opportunities for competitive differentiation. We are focusing on areas where we may have a deeper data set and some deeper analytic objects that can build unique value propositions for the clients.

**Operator:** Your next question comes from the line of Jeff Silber of BMO Capital Markets. Your line is open.

**Jeffrey M. Silber**

*Analyst, BMO Capital Markets Corp.*

Thank you so much. You mentioned premium growth levels in an answer to another question. I was wondering if you can just refresh our memory. What is the industry growing at this year and what are your expectations for next year? Thanks.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah, thanks. Thanks, Jeff. As you know, the data takes a while to review and it also varies line by line. In aggregate across the industry, we were seeing high-single-digit premium growth in 2024. Depending on the line, that is perhaps normalizing to mid-single digits in 2025. But again, I'll remind you, while there is some input to some of our contracts to the net premium growth, that is only an input and not necessarily a main driver. We're focusing on the value delivery in those contracts.

**Jeffrey M. Silber**

*Analyst, BMO Capital Markets Corp.*

Got you. What are folks forecasting for next year?

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

I think based upon what I see, Jeff, is they're expecting kind of that similar normalization into the mid-single digits. It obviously is going to vary from product line to product line, and so I would just say directionally what we're seeing is that normalization from a more inflation-oriented growth that elevated the industry for a while to a more normalized low to mid-single digits growth. But I also want to take the opportunity to reprise some of the statistics that we've provided that over the past 15 years, there has not been a significant differentiation of our organic revenue growth rate in soft or hard markets. I think the variation was between 6.8%.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

6.8%. So, historically, since we've been public in the soft market years, our growth has been about 6.8%. In hard market years, it's been, on average, 7.3%, so a slight impact.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

And it underscores the fact that our revenue growth is tied to the value that we deliver and the expanding adoption of data and analytics by the insurance industry, which we continue to see. And as I mentioned in my remarks, we believe that AI is an accelerant to the effective utilization of our data sets. So while we do look at overall industry premium growth as an indicator, it really is driven by data and technology adoption and the value that we're able to deliver in our function as an effective utility for the industry.

Jeffrey M. Silber

*Analyst, BMO Capital Markets Corp.*

Thank you.

Q

**Operator:** Your next question comes from the line of Alex Kramm of UBS. Your line is open.

Alex Kramm

*Analyst, UBS Securities LLC*

Yes. Hey, good morning, everyone. Seems like a lot of things have been asked and answered already. But maybe quickly on M&A, I know you're obviously focused on AccuLynx and driving that forward. But just maybe some general perspective on how your M&A outlook has changed over the last three months. Do you feel like you have capacity for other things? What have prices done? And Lee, as you engage with the C-suite here more, are there any specific workflows that clients are asking for that you feel like M&A is the answer for those?

Q

Lee M. Shavel

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Yeah. Alex, thank you very much for the question. First, as you can imagine, we are very focused on the AccuLynx transaction as Elizabeth indicated. We're continuing to work collaboratively and expeditiously with the FTC to execute that transaction, which we still fully believe in the strategic and the financial merits of. And so, naturally, while we continue to monitor the market for opportunities that are additive where we can add value, I might say that our primary focus is on those deals, AccuLynx as well as the closed SuranceBay deal, to make certain that those are effective. So we want to maintain our focus on delivering value and executing those transactions primarily. But you always want to be aware of what is happening in the market.

A

It's an interesting question in terms of what we're hearing from clients. I would say that while it tends not to be oriented to acquisition targets, I would kind of extend their desire to see more centralized efficiency and connectivity as a part of what they do. And I would probably use SuranceBay as an example of where we've heard from our life clients that the kind of the regulatory element that SuranceBay provides is very additive and connective to what we're providing on the policy administration side. So – and feedback that we received with regard to AccuLynx in terms of the ability to improve efficiency and connectivity for contractors and carriers is a benefit that we've talked about previously. So those are those are elements and anything that augments our data sets and allows them to be utilized more effectively or more broadly in the industry is what we're hearing from the clients.

Alex Kramm

*Analyst, UBS Securities LLC*

Very good. Thank you.

Q

**Operator:** Your next question comes from the line of Russell Quelch of Rothschild. Your line is open.



**Russell Quelch**

*Analyst, Rothschild & Co Redburn*

Q

Yeah, thank you for taking my question. I appreciate your comments on AI and the opportunities that it brings to Verisk. But are there any of your large carriers that are talking to you about how they want to leverage AI to garner greater insights from their own sort of large amount of data they hold particularly in the property insurance space and wondering if they are how you think that could impact the long-term usage of contributory databases as perhaps the sole source of data for insurance pricing market companies?

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, thank you. Thank you for the question, Russell. So, certainly our clients are looking to utilize AI against their existing businesses. But what I would emphasize is that their ability to analyze their own data, the overall market perspective of how the industry as a whole is performing and the benchmarking function remains very critical to that. What we have seen is that when clients are increasing the sophistication of their data assessment within their own lines of business, it increases their interest in comparing what they are doing to the industry as a whole. And because of the very rich data sets that we have, we can offer an enhancement and augmentation to what they are trying to do internally.

Just using that internal data, not enriched by the data sets, whether we have in ProMetrix to give very detailed information on properties that they can benchmark their own assessments against or the loss cost information that we have or the catastrophic risk exposure that we are able to model, all of that is an enhancement to what they are attempting to accomplish within their own applications. And so a key pillar of our [ph] A&I (50:20) strategy, beyond developing the tools, beyond using AI for our own benefits, is understanding what our clients' needs are so that we can partner and enhance what they are doing. We have heard that consistently. One kind of specific – other specific example of even a data set in our admitted lines business becomes very relevant in benchmarking excess and surplus performance because it is a reference market for that. And as they have been increasingly sophisticated in tracking and contributing that data, that becomes an incremental value opportunity for us to provide that type of benchmarking and validation. So I think the point that I would summarize for you is that while they are looking to do these, to analyze their own data, the connectivity and the enhancement of what we can provide becomes even more relevant.

**Russell Quelch**

*Analyst, Rothschild & Co Redburn*

Q

Okay, thank you.

**Operator:** Your next question comes from the line of Scott Wurtzel of Wolfe Research. Your line is open.

**Scott Wurtzel**

*Analyst, Wolfe Research LLC*

Q

Hey, good morning, guys. Thank you for taking my question here. Just on AccuLynx, despite the closing of the transaction getting delayed given the second request, just wondering is there anything on the sort of technical integration side that you can do during this sort of interim period to when the deal is eventually closed sort of speed up the overall integration process with AccuLynx? Thanks.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

A

Thanks a bunch, Scott. The short answer is no. We are – the legal requirements are to operate independently as two separate companies until that approval is given.

**Scott Wurtzel**

*Analyst, Wolfe Research LLC*

Got it. Thank you.

Q

**Operator:** Your next question comes from the line of David Motemaden of Evercore. Your line is open.

**David Motemaden**

*Analyst, Evercore Group LLC*

Hey, good morning. I just wanted to just ask – I don't want to focus too much on one quarter too closely, but Elizabeth, you had talked about 6.8% OCC growth in the softer markets, but it was 6.5% this quarter if we normalize for the light weather and the government contract. So, I guess why – what is it about the environment now, which I think is still – I wouldn't say we're in a soft market yet. I guess what's dragging down the OCC growth now from that 6.8% in the soft markets that you had sort of spoke about?

Q

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

Yeah. David, look, there's always going to be some quarterly variability. This is not – that was – that 6.8% was an average across many different years, which themselves had a range of outcomes. So, we've – some of the factors I talked about this quarter were some of the swings, and you may continue to see that in the future. But in the long term, we're very confident that we can continue to deliver growth rates within the long-term organic targets.

A

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

Yeah, and David, the other differentiation that I would make is looking at the subscription growth, you can see that that remains exceptionally strong and a function, again, of the value that we're delivering. I think when we are talking about softer or hard markets, that really is going to play out in the subscription growth from a value perspective, whereas clearly within this quarter, that differentiation, that 6.5%, is primarily transactionally driven. So, I would just – I would make that distinction as you were thinking through that issue.

A

**Operator:** [Operator Instructions] Your next question comes from the line of Jason Haas of Wells Fargo. Your line is open.

**Jason Haas**

*Analyst, Wells Fargo Securities LLC*

Hey, good morning, and thanks for taking my question. So, if we look at the OCC growth that you reported, the 5.5%, you called out 1 percentage point from government and also the weather headwinds. Even if you add that back, you're at 6.5%, and the prior quarter you were at 7.9%. So, I'm trying to understand what caused that deceleration, because in response to an earlier question, you said that the auto competition sounds like that's been a similar level. So, yeah, I'm just – I think we're trying to figure out what caused that deceleration, and I think the concern is that your customers are seeing lower growth than they did last year. So, is that what's weighing on the growth, or can you unpack what caused this deceleration so we can get some confidence for how the growth

Q

could accelerate going forward? I guess that would be past 4Q, because you'll have a tough compare. But, yeah, if you could unpack that, I think that would give us a lot more confidence. It would be very helpful. Thanks.

**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

A

Yeah, thanks. Thanks a bunch for the question, Jason. Yeah, as we map to the last quarter, look, I called out a couple factors in Q2 that were going to impact the second half of the year. We talked about the government contract, and we talked about the softness in the auto space. Those have played out in line with the way we talked about in the prior quarter. So, I think on the auto softness side, we called it out as something we saw coming ahead. It wasn't necessarily impacting the second quarter yet, which is, of course, why we called it out as something for the second half of the year.

So – and then what we hadn't yet seen at the time was the light weather activity, which typically that third quarter is the prime quarter for severe convective storms and North Atlantic hurricanes. So, it's really those factors that are impacting it. Again, of those three, what we call, temporary factors, two of them were as anticipated, and then the weather was an additional point.

I think going back to our emphasis on the subscription revenue, that strength there demonstrates what we think to – somewhere in your question was, are we seeing customer hesitation? The answer is no. You can see that in the subscription growth. You can see that in the strong sales momentum that we've highlighted. So, we really do think it is a function of the temporary factors.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Right. And I would just add to that, as you heard us say, we remain very confident in our ability to continue to deliver growth in that 6% to 8% range on an ongoing basis. Notwithstanding the temporary factors that Elizabeth just described, the fundamental dynamics of client demand, the integration, the elevated dialogue, AI opportunities that we are experiencing and are demonstrated in our subscription growth, that underpins our ongoing confidence of adhering to our long-term growth model.

**Jason Haas**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. That's great to hear. Thank you very much.

**Operator:** Your next question comes from the line of Andrew Nicholas of William Blair. Your line is open.

**Andrew Nicholas**

*Analyst, William Blair & Co. LLC*

Q

Hi. Good morning. Just one quick one for me. Just on AccuLynx, I understand you're going through the second request from the FTC, and you can't do anything from an integration perspective. But have you been able to have maybe more lengthy dialogues with your clients on the strategic merits to that deal and maybe the opportunity for increased engagement in that part of the insurance ecosystem to this point? And if so, I would be curious to see what the feedback has been on that front. Thank you.

**Lee M. Shavel**

*President, Chief Executive Officer & Director, Verisk Analytics, Inc.*

A

Yeah, Andrew, let me start. And Elizabeth, who's been involved in our interim claims role, can supplement this. Obviously, the announcement has been in the public domain. Our clients have been interested. We've been spending time describing what we think the strategic and the business merits are. And I think we have received an endorsement from them in terms of what we can accomplish across both the data and the connectivity elements. So, obviously, this all remains subject to the process, and we continue to work, as we've said, collaboratively and expeditiously with the FTC to bring this to a close, but we have been engaged.

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**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

A

Yeah, I would just add from the dialogue that I've had with clients on the claims side, we've had, I would say, high-level discussions in line with operating as two separate companies. So we've gotten positive feedback for the deal, positive feedback in terms of the benefits it would bring to the industry. But we haven't gone into specific discussions, as that would not be appropriate. Our primary focus right now is on completing the deal.

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**Operator:** Your next question comes from the line of Jeff Meuler of Baird. Your line is open.

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**Jeffrey P. Meuler**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Yeah, thank you. Good morning. I just want to make sure I'm mapping. The headwinds are calling out correctly to subs and transactional. So I guess subs growth decelerated by 60 basis points into a tougher comp. It sounds like the government headwind is in subscription, if you can confirm that. And then for transactional, that's where you're seeing both the weather headwind or the majority of it. And the auto headwind or the preponderance of it is also in transactional, if you can confirm that. And just to be clear, what we're talking about, is this just like one lost client in a business where you've forever been in a challenger position? Thanks.

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**Elizabeth Mann**

*Chief Financial Officer & Interim President-Claims Solutions, Verisk Analytics, Inc.*

A

Yeah, thanks. Thanks for the question, Jeff. On the subs/trans breakdown, yeah, that's right. The government contract is entirely subscription. So weather and the auto piece are primarily transactional but do have a bit of impact on subscription as well. And so the subscription growth is all the more notable in absorbing those headwinds as well and pointing to the strengths around the business. On the auto side, it's a bit more general than that. Yeah.

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**Operator:** With no further questions, that concludes our Q&A session and today's conference call. We thank you for your participation. You may now disconnect.

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