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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Verisk Second Quarter 2026 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 where we will limit participants to one question so that we can allow 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 Senior Vice President of Finance and Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

Stacey Jill Brodbar

Senior Vice President, Finance & Investor Relations, Verisk Analytics, Inc.

Thank you, operator, and good day, everyone. We appreciate you joining us today for a discussion of our second quarter 2026 financial results. On the call today are Lee Shavel, Verisk's President and Chief Executive Officer; and Elizabeth Mann, Chief Financial Officer.

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 Investors section of our website, 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 dial-in.

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. 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 filing.

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 Investors section of our website, verisk.com. However, we are not able to provide a reconciliation of projected adjusted EBITDA, adjusted EBITDA margin and adjusted EPS to the most directly comparable expected GAAP result because of the unreasonable effort and high unpredictability of estimating certain items that are excluded from projected non-GAAP adjusted EBITDA, adjusted EBITDA margin, and adjusted EPS, including, for example, tax consequences, acquisition-related costs, gains and loss 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.

Lee M. Shavel

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

Thanks, Stacey. Good morning, everyone, and thank you for joining us. Today, I will provide a broad overview of our second quarter financial results, I will also offer perspective on our industry engagement, including client discussions focused on the use of advanced technologies, including the evolution of AI and the current operating environment. Finally, I will wrap up with some updates on recent groundbreaking innovations we have introduced into the market including the release of Verisk Synergy Studio for the catastrophe risk market. I will then hand the call over to Elizabeth for more detail in her financial review.

Turning to our second quarter results, Verisk delivered organic constant currency revenue growth of 5.8% with balanced growth across underwriting and claims and demonstrating the sequential acceleration that we previously anticipated. Revenue growth was underpinned by an 8% increase in subscription revenues, demonstrating the stability and value of the solutions we provide to the insurance industry, helping them make better decisions. These are supported by our broad connectivity and deep client relationships we have within the industry.

Our focus on efficiency and cost discipline drove organic constant currency adjusted EBITDA growth of 7.4%, delivering another quarter of very healthy margins. Growth was modestly ahead of our expectations and reflected the short-term factors we previously described, namely the carryover impact of the very low weather activity, tough compares from strong renewals last year, and a work stoppage in a federal government contract.

We continue to have confidence that the resolution of these short-term factors and core growth momentum will result in continued sequential improvement in revenue growth as we move through the second half of the year. Moreover, we expect 2026 to be another year of performance in line with our Investor Day targets and reaffirm our 2026 financial guidance.

Throughout the quarter, our client engagement was very active. We held several executive sessions across underwriting with top national and regional carriers discussing how we can support clients in the current operating environment, as well as our broader strategic plans including our AI strategy.

Additionally, we hosted client-specific emerging issues workshops within underwriting focusing on topics including data centers, AI risks and regulations and quantum computing where we discuss company-specific exposures.

For one top-20 carrier, we hosted three different sessions on artificial intelligence that were attended by almost 400 underwriting professionals across their enterprise. These engagements are a further demonstration of the critical role we play in the industry through our deep industry expertise, data analytics, and thought leadership.

That same combination is why we continue to win new data contributions. So far this year, we have onboarded eight new core lines contributors and 10 contributors to our new excess and surplus data set. And with those excess and surplus contributors now online, our data set covers over 18 billion in historical and current premium.

Specific to the operating environment, the first half of 2026 has continued on the trends experienced in 2025, namely improved combined ratios and robust industry profitability helped by unusually low catastrophe losses. In fact, 2026 is currently tracking for global catastrophe losses to be below the $100 billion mark for the first time since 2020.

With profitability improvements and rate adequacy satisfied across many lines, carriers have turned their attention to driving growth, resulting in price competition and softening markets. As we mentioned last quarter, this dynamic is most pronounced in property and commercial property in particular, where pricing is soft and volumes are lighter. We continue to watch how these dynamics shape client activity, particularly as it relates to transactional usage.

It is in these types of markets that carriers are increasingly focused on underwriting discipline and risk selection rather than relying on broad-based rate increases. Our comprehensive data sets and analytic insights underpinned by our continued investments in data currency and data coverage can best help segment and understand risk, helping our clients navigate through these dynamic times.

In our conversations with clients, AI remains one of the most important topics and Verisk has partnered with the industry to help them move from experimentation into production deployments and ultimately to scaled adoption when the industry is ready.

As carriers expand their use of AI, they continue to turn to Verisk as the trusted source of data in the industry. Currently, those conversations are increasingly centered on accuracy, efficiency, and repeatability as well as driving return on investment from their investments.

To meet these needs, we are investing in techniques such as Retrieval-Augmented Generation, or RAG, and broader context engineering capabilities that help improve the quality of AI-driven outputs by better managing how large language models access, interpret, and apply information. This is all further enhanced by our highly cleansed and structured data sets and deep industry expertise, which is leveraged through the semantic layer of AI processes where we provide data structure, context and rules that make large language models work more effectively to deliver consistent and predictable outcomes.

More importantly, our goal is not simply to adopt the latest AI tools, but to apply them in ways that deliver measurable return on investment and value for clients by combining advanced AI capabilities with Verisk's high-quality and proprietary data assets, deep industry expertise, and established industry standard workflows, while also creating connections across the broader ecosystem.

We believe this positions us well to help clients navigate the next phase of AI adoption while strengthening Verisk's role as a trusted strategic partner across the insurance ecosystem.

As a specific example, in May, we announced our first collaboration with Anthropic, launching two Verisk MCP connectors for Claude, which bring our trusted regulatory-grade data and analytics directly into conversational AI workflows in an underwriting and claims use case. These connectors enable clients to interact with Verisk's proprietary underwriting intelligence and claim solutions using natural language, helping them access insights when, where, and how they need them.

These connectors were developed in partnership with Anthropic on an expedited timeline from initial discussion to production and public launch and we are the first insurance data provider with MCPs available with Claude. This was made possible by the earlier foundational investments we made in data organization and infrastructure, making our data entirely AI-ready, as well as experimentation and development of independent large language model applications.

Importantly, the architecture is designed to maintain the governance, security, and trust our clients expect with data retrieved only within the client's Claude session and not used for model training. Interest levels across our client engagement are building along with usage with a top-10 carrier already using the MCP. We're excited by the early client feedback we've received and we are actively developing additional connectors both with Anthropic and with other frontier model companies that can deliver value to our clients.

Additionally, we are excited by the opportunities to develop agentic capabilities in coordination with and on behalf of our clients. Last quarter, we disclosed one of those initiatives to develop a next-generation digitally native agentic underwriting platform with a global insurance firm, and we're excited with the progress that we are making. We're also in the development stage of agentic capabilities in our life solutions that will build on our conversational Ask Max feature to embed autonomous capabilities within the platform.

We're also encouraged by the early traction we're seeing with our generative AI solutions that have had scaled engagement and Premium Audit AI is a good example. Premium Audit AI brings natural language access to our premium audit rules and classification content directly into our clients underwriting and audit workflows. It's still early as we are now in the first renewal cycle post the launch, but we're beginning to see it show up commercially. The incremental value we have added is supporting stronger renewal growth. It's a proof point for how we're embedding AI into our proprietary content to make our offerings more valuable to clients.

In our claims business, we continue to see strong momentum in XactAI, which we launched in the fourth quarter of 2025 and have continued to enhance with new capabilities. XactAI embeds AI directly into the workflows of insurers, adjusters, and restoration professionals, helping clients automate time-consuming tasks such as summarizing claim information, labeling photos, extracting key data from documents, and generating estimating recommendations.

The result is faster claims handling, improved productivity, and more consistent outcomes for policyholders. Adoption has accelerated significantly. Since March, the number of XactAI users has increased nearly 10 times, and we now have almost 7,000 licenses on the platform.

The feedback from clients has been overwhelmingly positive with strong demand for additional functionality. As a result, we're continuing to invest in our innovation roadmap and expand XactAI capabilities across the broader Xactware suite, helping clients realize even greater efficiency and value from their claims operations. The rapid adoption we're seeing reinforces our conviction that AI will become an increasingly important driver of efficiency, consistency, and better outcomes across the property claims lifecycle.

During the quarter, we also reached an important milestone in our catastrophe and risk solutions business with the on-time and on-budget launch of our re-engineered US Tropical Cyclone model and Verisk Synergy Studio, our new cloud-native platform for integrated catastrophe modeling and risk analytics.

Our updated US Tropical Cyclone model redefines US hurricane risk modeling by integrating significant advances in climate science, hazard modeling and vulnerability analytics to provide a more accurate, transparent, and realistic view of individual risk and portfolio exposure across insurance, reinsurance, and capital markets.

Specifically, the model includes key scientific advancements which provide a more physically realistic view of how Tropical Cyclones evolve, including the impacts of wind, storm surge, and inland flooding.

Additionally, as catastrophe models are used to increasingly inform decisions in industries outside of insurance, including housing, infrastructure, capital markets, and climate risk disclosure, this new updated model is designed to support risk evaluations with results that can be used across all segments.

Verisk Synergy Studio, our cloud-native platform, is designed to help clients make better decisions in an increasingly complex risk environment. The platform brings together advanced analytics, high-performance computing, and modern workflows in a single environment, allowing clients to analyze larger and more complex portfolios, generate insights faster, and better understand the drivers of risk and loss across their exposures.

The first release of Verisk Synergy Studio, includes our complete global model suite in our latest next-generation modeling framework, giving our clients immediate access to our latest views of catastrophe risk for every model around the world. This allows clients to run more sophisticated analyses, evaluate risk more efficiently, and make more informed underwriting and capital allocation decisions without having to navigate a patchwork of model vintages.

By combining leading science with modern technology, we are helping clients gain deeper insights into risk while improving the speed, scale, and transparency of their workflows. We have already onboarded our first clients onto the system, and the initial feedback on performance, scalability, and keeping our commitment to deliver on the schedule we promised has been incredibly positive. We have a robust pipeline of additional clients scheduled to migrate to the platform through the remainder of the year.

As a further enhancement to our catastrophe risk solutions business, we closed this week on the strategic tuck-in acquisition of McKenzie Intelligence Services, a geospatial intelligence and event response company specializing in global real-time catastrophe and conflict event analysis.

MIS will become part of Verisk catastrophe and risk solutions. We believe that the strategic combination of MIS's real-time geospatial intelligence together with Verisk catastrophe models, risk analytics, weather analytics, and claim solutions will give clients a more complete view of unfolding events so they can assess impacts, prioritize response, and support stakeholders more effectively.

Before I close, I want to announce that Nick Daffan, our Chief Information Officer, is leaving Verisk after two decades. I want to thank Nick for his partnership and key contributions to Verisk, which include leading the modernization of our computing platform, successfully migrating from the mainframe to the cloud, strengthening the infrastructure supporting reliable delivery of client solutions and helping position the company well for this next phase of AI innovation.

With Nick's departure, Jeff Negrete, our CTO, will step into the role of interim Chief Information Officer. We are confident in the bench strength we have in place within our corporate IS&T organization and will commence a search for a permanent replacement.

I'll now turn the call over to Elizabeth.

Elizabeth Mann

Chief Financial Officer, Verisk Analytics, Inc.

Thanks, Lee, and good day to everyone on the call. On a consolidated and GAAP basis, second quarter revenue was $806 million, up 4% versus the prior year, reflecting contribution from both underwriting and claims.

Net income was $229 million, a 10% decrease versus the prior year, while diluted GAAP earnings per share were $1.75, down 3% versus the prior year. The decrease in net income and diluted GAAP EPS was driven by a divestiture at the end of 2025, as well as a higher year-over-year tax rate, increased interest expense, and higher legal fees incurred in connection with ongoing litigation. This was offset in part by higher operating results, 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 demonstrate continued solid growth across both underwriting and claims.

In the second quarter, OCC revenues grew 5.8%, compounding on the 7.9% OCC revenue growth in the prior year period. This was a sequential improvement from the first quarter in both underwriting and claims with reported OCC growth of 5.6% in underwriting and 6.1% in claims.

The quarter's performance was modestly better than our expectations, primarily due to stronger than expected insurance-linked securitization activity. The reported results continue to be impacted by the continued carryover effect of a lower level of weather-related events last year, as well as the work stoppage in a federal government contract.

Subscription revenues which comprised 83% of total revenue in the quarter grew 8% on an OCC basis compounding the 9.3% growth in the prior year period. The growth in subscription revenue was driven by strength across our largest subscription-based businesses including forms, rules and loss costs, catastrophe and risk solutions, and anti-fraud analytics and reflects strong price realization in renewals, expanded relationships with existing clients and the addition of new logos. The resilience of our subscription revenue underscores the strength of our business model and the critical value our solutions deliver to clients.

In forms, rules and loss costs our investment in Core Lines Reimagine continues to drive strong price realization through subscription renewals, as clients experience the additional value we can provide through the transformation of the platform.

During the quarter, we released another seven new client-facing modules and remain on track for 25 releases in 2026, delivering even further platform functionality and value to our clients.

Within catastrophe and risk solutions, we delivered another quarter of strong growth driven by the addition of new clients and some notable renewals that provide upside to multi-year growth.

As Lee mentioned, we are excited to announce the launch of Verisk Synergy Studio in June with our first clients already onboarded and a pipeline for additional clients to migrate onto the platform. Additionally, we released our re-engineered US Tropical Cyclone model, which delivers comprehensive advances in how hurricane risk is quantified and applied and is exclusively available through Verisk Synergy Studio.

In anti-fraud, we delivered another quarter of strong growth driven by good price realization, early renewals, adoption of newer innovations, including digital media forensics, and healthy growth in adjacent markets.

Our transactional revenues, which comprised 17% of our total revenues, declined 4.2% on an OCC basis, a sequential improvement from the first quarter. The declines were primarily driven by three factors.

One, tougher comparisons from overages in the prior year as well as lower volumes in our commercial property business that could persist in the second half of the year. Two, the carryover impact from lower weather events in our property restoration solution. And three, lower volumes in our international travel business primarily related to Middle Eastern travel disruption. This was offset by strong ILS issuance within our catastrophe and risk solutions business, which we do not expect to benefit the third quarter.

Moving to our adjusted EBITDA results, OCC adjusted EBITDA growth was 7.4% in the quarter, compounding on 9.7% growth in the prior year period. Total adjusted EBITDA margins, which include both organic and inorganic results, were 57.5%, down 10 basis points from the prior year.

As a reminder, the prior year quarter's reported margin benefited from a foreign currency translation impact, which contributed 120 basis points to margin then. Excluding this non-recurring benefit, we delivered solid margin expansion driven by revenue growth, disciplined expense management, and ongoing global talent optimization initiatives.

Moving down the income statement, net interest expense was $53 million in the quarter, compared to $36 million in the prior year period due to an increased debt balance as well as higher interest rates.

Our current leverage level is in the middle of our targeted range of 2 to 3 times adjusted EBITDA. Our reported effective tax rate was 24.6%, compared to 22.7% in the prior year quarter. The year-over-year increase was driven by lower tax benefits from a lower level of employee stock option exercise activity.

Adjusted net income decreased 1.9% to $259 million. The year-over-year decline in adjusted net income was the result of a divestiture and higher below-the-line items, including higher interest expense and a higher tax rate. Yet, we still grew diluted adjusted EPS by 5.3% to $1.98 per share, reflecting our capital return activity, which reduced our weighted average share count by 6.8%.

On a reported basis, net cash from operating activities increased 50% to $366 million, while free cash flow rose 58% to $298 million. The increase was driven primarily by growth in operating profit as well as the timing of certain cash payments.

We remain committed to returning capital to shareholders. And during the second quarter, we paid a cash dividend of $0.50 per share, an 11% increase from the prior year. Additionally, we initiated a $200 million accelerated share repurchase program, which was in addition to the $1.5 billion program we entered into during the first quarter.

In total, we retired 8.5 million shares during the first half of 2026. Both programs concluded earlier this week and we currently have approximately $800 million remaining under our share repurchase authorization.

We are pleased to deliver continued momentum in the second quarter and are reaffirming our outlook for 2026. A complete list of all guidance measures can be found in the earnings slide deck which has been posted to the Investors section of our website, verisk.com.

We continue to expect consolidated revenue in the range of $3.19 billion to $3.24 billion. Adjusted EBITDA is expected to be between $1.79 billion and $1.83 billion with adjusted EBITDA margins of 56% to 56.5%. We continue to expect net interest expense of $190 million to $200 million and our effective tax rate to be in the range of 23% to 26%. This results in adjusted earnings per share for the year in the range of $7.45 to $7.75.

A few things to note as you update your models and think about pacing for the final two quarters of the year. First, we continue to expect a gradual recovery in OCC growth rate for the remaining two quarters of 2026. Second, the transactional revenues in the second quarter benefited from strong ILS activity that will not repeat in the third quarter as this is a seasonal market. Third, while it is still early, the hurricane season is off to a slower start as June and July have had limited storm activity. These factors could continue to exert pressure on transactional revenues in the second half of the year. Still, taking everything together, we remain confident in our ability to deliver results in line with our financial guidance for 2026 and in line going forward with our Investor Day targets.

And now let me turn the call back over to Lee for some closing remarks.

Lee M. Shavel

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

Thanks, Elizabeth. In summary, we are experiencing the growth rebound that we anticipated in our financial results. Additionally, the increased value in our products from AI functionality is improving price realization and the increased engagement from our clients and partners as they recognize the value of our data and expertise in generating real returns on their AI investments. This has further enhanced our confidence in the operating momentum we're building in the business.

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.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Toni Kaplan with Morgan Stanley. Toni, your line is open. Please go ahead.

Toni Kaplan
Analyst, Morgan Stanley & Co. LLC

Q

Thanks so much. Lee, you talked about industry profitability continuing to be strong and that could lead to maybe continuation of the soft market, but on the other hand, you're helping insurers with profitability tools. And so, I was hoping you could talk a little bit about historical periods where you've been in this part of the cycle and how growth typically plays out just given perhaps decelerating pricing dynamics, but maybe more cross-sell. And so just trying to get at, should we be prepared for a few years of growth towards the lower end of your growth algorithm or can you like more than offset that through like some of the new product launches and upselling and things like that? Thank you.

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

A

Yeah, thank you – thanks Toni. So I think you touched on a couple of the elements that we've talked about previously and I want to reaffirm first for some historical context. Our experience has been in soft markets that we've generally grown at approximately a 6.8% organic constant currency growth rate and in hard markets 7.3%. So both of those are well within the range that we talk about at Investor Day.

And I think you also correctly identified that in these periods, the value of our data sets in assessing risk and supporting good pricing decisions become more important. And I think that's something that we have certainly heard in our client engagement as we've been talking about where we can be most helpful. And as you heard in our comments on the call, the level of engagement of clients wanting to have discussions around AI impact on pricing – pricing on other kind of market dynamics is evidence of that.

But I think the most important point that I would center on is the fact that our growth is driven much more by the value that we are able to deliver to our clients and our ability to participate in that. And I think over the past six months and certainly the past 12 months the ability for us to utilize our data and our expertise to support our clients' value journey in using AI has been very truly demonstrated across our businesses.

And so, despite the softening market, while that will have an effect, I think we're more bullish on our ability to create value for our clients and for the industry by supporting their adoption of AI in workflows, in processes, in connecting the industry. And we're beginning to see that in the pricing dynamic that we described for the Premium Audit AI and XactAI. So, I think that is certainly a difference that we've had relative to prior periods. So hopefully that gives you good context around the growth – our growth perspective in this softer market.

Operator: Your next question comes from the line of Andrew Steinerman with JPMorgan. Andrew, your line is open. Please go ahead.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi, everybody. Hi. Elizabeth, I definitely [ph] call out (00:33:23) what you just said about June and July hurricane activity. I'll also kind of mention that summertime is not typically hurricane season. But yeah, you're right, we have to kind of look with what we have now. So with that, have you assumed a low level or a typical level of hurricane activity when you consider the full 2026 revenue guide?

I have one more point to this. And have you considered the return to an El Niño? And I've also read about a super El Niño being a near-term possible revenue driver for Verisk – climate catastrophe risk analytics and are insurance clients asking Verisk about El Niño preparedness at this time?

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.

A

Thanks for the question, Andrew. Yes, our guidance as we typically do, the range still considers in the base case an average year of weather activity and of hurricane activity. So, what we're highlighting is if that plays out to be lighter as again and there's different views from the experts as to how it may play out this year. But playing out lighter would be a bit of a risk on the transactional side. Again, these differentials are small in the overall context of our business and even within the guidance range that we're talking about.

As to the discussions on El Niño and the risks to insurers, it's something that our catastrophe and risk modeling team is engaging with clients on. They're discussing the latest weather impacts. And I'll highlight the acquisition – the small acquisition that we just announced today of McKenzie Intelligence Services as a geospatial intelligence platform and event risk management is one that can over time help to give kind of real-time insights to events as they unfold.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Thank you.

Operator: Your next question comes from the line of Kelsey Zhu with Autonomous. Kelsey, your line is open. Please go ahead.

Kelsey Zhu
Analyst, Bernstein Institutional Services LLC (Autonomous Research)

Q

Hi, good morning. Thanks for taking my question. Lee, how are you thinking about your channel partner strategy today? I think we've talked about previously how Claude and OpenAI could be helpful as distribution channels, but are you also looking at partnering with some of these AI companies for model co-development? And if so, are there specific areas or processes that you're interested in joining forces with them to add that intelligence layer? Thanks a lot.

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

A

Thank you, Kelsey. Certainly we are engaged in discussions with all of the significant frontier model companies. Tangibly, you saw our announcement of the Claude connectors, an MCP solution that had two applications, one to underwriting and one to claims, that were starting points in demonstrating what our data sets could do by pairing them with the natural language capabilities of the model. And the feedback from our clients have been strong. In many ways those were test cases or proof points that we could roll out very quickly.

One thing that we've heard from clients is they want us to focus on what can we deliver now that has an impact and not conceptual, what's in development but what they can use now and that was a demonstration of it. And coming out of that was a clear appetite for us to go deeper and broader in those types of connectors, which will require some further development in a number of our product areas. So, specific to your question, we believe that that type of engagement and work with the model companies is going to be beneficial for our clients. It will I think take time for clients to test the products, understand how they apply and develop it. But there clearly is enthusiasm and engagement.

We are doing this across the board with the model companies. One thing to your question on distribution, I think we would observe that our ability to provide distribution to the insurance industry as the last-mile, particularly to workflows is a very important part of [ph] the dimension (00:38:01). Our connectivity to claims professionals, underwriting professionals, risk professionals, it gives us an ability to identify where those models can be best applied, most effectively applied in order to generate real returns to our clients. And that's clearly something that's been recognized by the model companies that we've been in discussions with. And I think that strengthens our position in helping them and helping our clients bring that model capability together with the data sets.

Operator: Your next question comes from the line of Scott Wurtzel with Wolfe Research. Scott, your line is open. Please go ahead.

Scott Wurtzel
Analyst, Wolfe Research LLC

Q

Hi, good morning guys. Thanks for taking my questions. Just wondering if you can talk a little bit more about the lower volumes on the commercial property side and why you would expect those lower volumes to persist through the second half of the year. Thanks.

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

A

Thanks, Scott. I'm going to turn this over to Saurabh Khemka, who runs our underwriting businesses to give you a perspective on the commercial property, what we're experiencing, what we're hearing from clients.

Saurabh Khemka
President-Underwriting Solutions, Verisk Analytics, Inc.

A

Yeah, absolutely. So, overall in the commercial property line in the insurance industry what we're seeing is soft pricing. And it's a cyclical thing that happens. And what the behavior that it's driving is that our clients are looking at their business. They're looking at maybe not quoting as many of the opportunities that are out there. And then when they do make the quotes, they're also looking at how much they're spending on underwriting data and analytics to analyze that business. So, those impacts are being felt in our transactional part of our business. I do want to say the underlying business remains very strong. So the subscription side of our business is good and continues to be healthy.

Operator: Your next question comes from the line of Gregory Peters with Raymond James. Gregory, your line is open. Please go ahead.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Q

Morning everyone. So, for my question, I know most if not all of the large property casualty companies have walled off LLM general access to their data and pricing infrastructure. So, that's kind of a two-part question. Are you seeing any shift among your customers and attitudes towards LLM access? And then can you just step back and remind us how you're preserving your unique data assets amid the growing proliferation of AI?

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

A

Greg, thanks for the question. So, certainly data security has been a critical question and issue that we have managed very carefully over decades with our clients. So, it is kind of central to our DNA to make certain that we are protecting our clients' data. And any application or new technology that we're developing is done with careful consideration and discussion with them about the rights to utilize that data and that technology. And so that has informed our governance approach to the use of data. We have had a data policy and an AI policy for many years and that serves as a great guide for us to make certain that we are protecting that data.

Now, two additional points. One is that in our work with the frontier model companies, it was absolutely critical that the use of the data was controlled in the client's [ph] cloud (00:42:05) instance and could not be used to train models. That's a protection that we think is important for our clients, certainly important in protecting our overall data access. So that is a demonstration of our care in managing access to those data sets and protecting them.

It is front of mind in making sure on an ongoing basis that our clients' proprietary information is protected and – while we are finding ways to effectively utilize that data for what we feel are valuable applications that our clients are looking for in querying that data. And so given for instance the success that we've had with premium audit and client uptake in the use of that AI product as well as in XactAI, just two examples across the businesses. I think the one thing that I would have a different point of view is our clients are definitely interested in applying AI to the data sets to support their underwriting or claims functionality. But we're doing that in a very safe and carefully thought-out process.

Operator: Your next question comes from the line of Manav Patnaik with Barclays. Manav, your line is open. Please go ahead.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Good morning. Lee, I just wanted to touch on the AI monetization today. And you have kind of alluded to two examples which I was hoping to elaborate on. So, the MCP connector, I think you mentioned that one of the top 10 carriers is already using it. So, I was just wondering what are the pluses and minuses between – is it all new or are they using this instead of something legacy? And then kind of the second part was I think you talked about XactAI growing 10 times I think you said it's [ph] 70 licenses (00:44:17) and so how is that contributing to growth and how we should think of that over time?

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

A

Thanks, Manav. And clearly it's a topic that we're focused on. And I think we're approaching this with a recognition that this is still evolving. We're applying new technologies. We are at the core assessing how this technology is creating incremental value for our clients. How can we – how are we helping them create a real return on their investment in AI?

So, if we can demonstrate I think we believe that our clients clearly see value. We've gone beyond the step of just testing it, but a demonstration that it improves efficiency, productivity, accuracy. And I think there will be several channels in which we are currently monetizing and expect to continue to monetize that incremental value.

One, most immediately, and while this at a scale level is not significant for us yet, but I think has – clearly has the potential to support ongoing growth, is simply improving the value of our pricing renewals upon subscription. We've talked a little bit about our ability to do that in our underwriting data renewals, specifically to the premium audit product. Similarly, in our Xactware licenses we are expecting to be able to capture the incremental value that we're delivering there through these additional products on that front.

I think that ideally is the broad-based ability for us to realize value as we have in the past, as we have with the Core Lines Reimagine where more current data sets, expanded data sets were able to capture that value in increasing subscriptions over time.

Additional channels may include as we see appetite and early adoption of AI functionality, potentially some transactional pricing on an initial basis for clients to test and experiment with new AI applications. So, I think there are aspects where we could see pursuing an initial transactional model. But we would probably want to see that migrate into a more stable and growing subscription business over time.

And then thirdly, we have a number of projects that we've talked about in the past where the ability to deliver an agentic AI platform or another AI solution may enable us to generate license fees for that software or for that platform that our clients will view as an appropriate way for us to monetize the investment that we've made in delivering that solution. So, I think all three of those will be paths. I think we are realizing that already on the pricing front. I think as we move from piloting to greater client usage, we could see the transactional element. And we are clearly exploring the licensing component on a number of the platforms that we're pursuing.

Overall, I mean, I think that we come out of the last 6 months and our experience with Anthropic and other frontier AI model companies with increased confidence that the value of our data, the value of our ability to support our clients' AI journey and investment returns on that technology to be a clear upside for us over the next several years.

Operator: Your next question comes from the line of Faiza Alwy with Deutsche Bank. Faiza, your line is open. Please go ahead.

Faiza Alwy
Analyst, Deutsche Bank Securities, Inc.

Q

Yes. Hi, thank you. Good morning. I was hoping for an update on the auto business because I know you had talked about some new data sets and new solutions that were supposed to come to market at some point this year. So, just wanted to get a sense of where you are and how you're thinking about that business going forward. Thanks.

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

A

Thank you, Faiza. I'm going to turn that question over to Saurabh as well.

Saurabh Khemka
President-Underwriting Solutions, Verisk Analytics, Inc.

A

Yeah, thank you, Faiza. I think on the auto side, we continue to make progress there. The competitive environment remains robust. But our focus on differentiated platforms like LightSpeed and new analytic objects that we're bringing out in our coverage verifier business is delivering good results for us in terms of LightSpeed being adopted by more customers and good engagement on these differentiated analytics with other customers. So, we continue to focus on that strategy as we go forward.

Operator: Your next question comes from the line of Henry Hayden with Rothschild & Co. Henry, your line is open. Please go ahead.

Henry Hayden
Analyst, Rothschild & Co Redburn

Q

Yeah. Hi everyone. Thanks for having us on and for taking the questions. I had a follow-up on MCP monetization. So, is this kind of volumetric? Is there a volumetric component to how you're charging for this or is it all covered in a subscription basis? And, depending on that, how should we think about incremental margins versus variable usage costs and higher storage costs for vectorized data sets. Just to help contextualize that, how should we think about the kind of pace of adoption? I know you mentioned you have one carrier on this now, but as you roll through the rest of the client base. Thanks.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah, thanks for the question, Henry. On the – specifically on the MCP connections, it is included in the client base subscription. Their Claude costs or token costs are covered by them separately. So that is not an expense to us directly.

More generally I think we have strong governance on AI spending across our enterprise. And as for the pace of adoption and the rate of diffusion across the insurance industry, I think you've heard Lee talk about that, clients are adopting, we are ready to move with them as they move into more systematic deployment. But I think given some of the discussion you've heard some of the insurance focus on governance, on data security protection and other things. So as the industry works through and moves through that, you will see our monetization opportunities increase gradually over time but it will probably be a slow and steady build.

Operator: Your next question comes from the line of Andrew Nicholas with William Blair. Andrew, your line is open. Please go ahead.

Tom Roesch
Analyst, William Blair & Co. LLC

Q

Hi, good morning. This is Tom Roesch on for Andrew Nicholas. Thanks for taking my question. I was just wondering if you could provide some color on what kind of supports your confidence in the acceleration in second half of organic growth rates. It sounds like transactional at least from the storm activity is softer through these first two months, but also I do recognize that I think last quarter it was like a historic – or last third quarter was a historic low in storm activity. So I was just curious like what areas of the business you think are giving you the most confidence on the acceleration in growth in that back half of the year. Thank you.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah, thanks for the question, Tom. A couple things. Two things that give us confidence in the build. One is the subscription growth rate, again that's 83% of our businesses where we have some visibility into that. I would add that's supported – we had highlighted the federal government contract and a work stoppage there. That work stoppage now has been lifted as of the beginning of the third quarter for a one-year term. So that work has resumed. That was – I will add that was always the assumption that we had going forward. But this is now the removal of that risk.

So those are some of the elements of the steady acceleration. That said, I do want to highlight it may be more of a sort of steady step up in that year-over-year organic constant currency growth rate. We highlighted some of the headwinds on the transactional side. That strong ILS contribution that we had in the second quarter is not likely to repeat.

And so I think you've heard from us, we do have a slightly more cautious view on the transactional revenues especially in the third quarter with the property market and of course the weather as a TBD. So taking all that together, we may see less of the upside in the third quarter and more of an acceleration into the fourth quarter as the year plays out, again with full confidence in the full-year range supported by those subscription revenues.

Operator: Your next question comes from the line of Jeff Meuler with Baird. Jeff, your line is open. Please go ahead.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, thank you, good morning. Just thinking through the financial impact and timing from the Synergy Studio release, is there like a platform upgrade fee that you monetize or is this all about upselling and cross-selling additional and more advanced models. And if you can just help me nerd out for a second, you have a competitor that talks about their high-def models being a real differentiator.

You're calling out this like next-gen modeling framework that comes with Synergy Studio. So, just help me understand from a model capabilities perspective like what's different in next-gen models and how you feel that changes the competitive dynamics recognizing many clients overlap and buy models from both. Thank you.

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

A

Yeah, thanks Jeff. I'm going to start off and then I'm going to – on the differentiation and then I'll turn it over to Elizabeth to kind of talk through the pricing revenue elements to it. First, I think what's important is that, first, the models are what are the starting point and there, what we are releasing are what we feel are the most sophisticated scientific leading catastrophe models with a much more physics reality-oriented solution for our clients. And so with the US tropical cyclone model, we think that that is cutting-edge science and a leading model.

Synergy Studio as a platform enables our ability, one, to increase the capacity of our clients to run larger simulations over longer periods which adds value to them and do that more quickly. So the capability of that platform is a significant enhancement. And secondly, our ability to update those models is much easier for our clients than a traditional on-premises solution.

Finally, I think a key competitive differentiation is a consistent economic framework so that all of our models are – can be utilized to assess risks on a consistent basis across that entire portfolio. And I think that is a distinctive differentiation for our clients that want to understand risk on a global and a portfolio basis. So those are the elements I think go to your question from a competitive standpoint in terms of why we think these are great products and why Synergy Studio as a new product will be delivering more value to our clients.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.
A

Yeah, and I'll add in on the pricing. Well, so first I'll comment, all of our models are on that next-generation financial framework and we talked about it a while ago on earnings when we kind of launched that and put all of our models on that next-generation financial framework and – so that'll be available on Verisk Synergy Studio.

There is not – as to the pricing, Jeff, there is not a specific platform upgrade fee that we're monetizing with that. We do think the overall platform itself derives greater value. And the other piece I will add to it is that some customers may choose to have that operated on a hosting basis and so some of our customers have migrated to a hosted model and some even before even on their Touchstone platform have added a hosting component which has added to our revenue. So taken all together that is all contemplated in the Investor Day guidance for that catastrophe and risk business at 8.5% to 9% on a long-term basis.

Operator: Your next question comes from the line of Curtis Nagle with Bank of America. Curtis, your line is open. Please go ahead.

Curtis Nagle
Analyst, BofA Securities, Inc.
Q

Great. Just maybe could you comment on the growth in catastrophe and risk in the quarter? I think it was up double-digit in 1Q, what does it look like in the second quarter and just how to think about general expectations in the back half of the year, particularly with the – you talked about the launch of the Synergy Studio.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.
A

Yeah, thanks Curt. We don't give specific disclosure on that business on an ongoing basis. It has been a strong contributor. And of course the second quarter again has the securitization market as a benefit on the transactional side. But they're seeing steady uptick and performance that is in line with their long-term guidance.

Operator: Your next question comes from the line of Jason Haas with Wells Fargo. Jason, your line is open. Please go ahead.

Jason Haas
Analyst, Wells Fargo Securities LLC
Q

Hey, good morning and thanks for taking my question. I wanted to ask maybe a high-level strategic one. It sounded like from the prepared remarks, you mentioned like an agentic underwriting platform that you're working on. And some of the comments around XactAI just sounded a bit more, sort of like, I guess like a workflow tool. So, I'm curious if there's an opportunity here to use AI to maybe push a little bit more into workflow software. I know historically you've really been more of a data company. I know you have obviously some software solutions, but curious how you're thinking about that from a high-level perspective in terms of where you want to take the business. Thank you.

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

A

Thanks, Jason. So, there clearly are elements for us to integrate our data and our insights into workflows. I think the predominant path will be in integrating those data sets into our clients either AI solutions or their existing workflows, but we have had, as you've noted, clients who have asked us to work on developing a platform which maybe – which will be a software platform or an AI platform that integrates their workflows more effectively and we're excited about that because we clearly have the expertise, the data sets are familiar with the workflow in order for us to be able to do that.

And as you also referenced, XactAI is something that is built into our Xactware platform that services the needs of a wide range of claims companies and professionals. So yes, there is a software opportunity for us to deliver on our clients' needs for data integration, automation and modernization of their processes. Also connecting participants within those workflows outside of the individual client spaces.

So that level of connectivity and integration of data we can deliver in a variety of ways, in partnership with our clients' preferred platforms, particularly among our larger clients in partnership with AI solutions that may be developed by frontier model companies as we've done with the Anthropic MCPs or in specialized platforms that we have developed for clients that want us to deliver that capability. At the end of the day, what we're focused on is leveraging our data sets and our expertise to create more value for the clients and we have a variety of means to do that.

Operator: Your next question comes from the line of Ashish Sabadra with RBC Capital Markets. Ashish, your line is open. Please go ahead.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Thanks for taking my question. I had a question on AI as well. So thanks for sharing the client engagement and the monetization for AI. Previously it was noted that sales cycles had elongated due to AI. I was just wondering if you have seen any shift, in that trend recently.

And then another question, on the same topic would be a question that we get is as insurance companies are launching industry specific LLMs, is there a risk that they could move some of these processes in-house? So as we think about the puts and takes, how do we think about AI as being a net positive or is there some headwinds from moving some of the processes in-house? Thanks.

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

A

Yeah. Thanks, Ashish. I'm going to take the second part of the question first and yes, we do have – there are clients that are developing their own LLMs. And I think the opportunity with them for us remains as strong if not stronger because the utilization of the unique data sets that we have, the standardized and cleansed data are just as relevant to them in this context as it would be for a frontier model company and those have been discussions that we think are – that we have had and have supported our clients with.

I would also use that as an opportunity to say the context or the semantic layer of what we have delivered and our retrieval augmentation generation technology is important. Our ability to access all of that data and deliver what's really relevant to them is just as important in that context. So, I think we – to us that's a very positive development. Our general experience is the more sophisticated our clients are from a technology and data standpoint, the more data that they consume, the broader relationship that we have. And on your first question, I may not have heard it, but I think Elizabeth did.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah. Moving to the sales cycles and the elongation that we referred to in the first quarter. I think that pattern and that environment does remain consistent. As you heard us discuss earlier on the call, there is a tremendous amount of client focus on questions of data usage rights, data protection. There's also our own focus on ensuring that our IP and our valuable data is well protected.

So those discussions – both sides are working through the legal terms, ensuring that confidence. In the long run we view that as a competitive differentiator for us because we have a long history of trust with the insurance industry and the robust governance processes and robust legal team to ensure and give confidence to the clients in the protections that we have there.

Operator: Your next question comes from the line of Jeff Silber with BMO. Jeff, your line is open. Please go ahead.

Q

Hey, good morning. Thanks so much. This is [ph] Ryan (01:05:07) on for Jeff. I was just hoping you could help us on the EBITDA margins for the quarter. I know there was a tough comp with the FX for the year-over-year, but was wondering if you could walk through any other drivers that drove the margins and then just looking forward, are you still anticipating that expenses ramp for the second half of the year? Thank you.

Elizabeth Mann
Chief Financial Officer, Verisk Analytics, Inc.

A

Yeah, thanks [ph] Ryan (01:05:28), thanks so much for the question. Yes, it was a strong margin quarter for us. As we highlighted that year-over-year comp, the Q2 of 2025 included 120-basis-point impact of FX. That impact is small to minimal in this current quarter. So that margin expansion is real, so to speak.

On a trailing 12-month basis, we're at 56.3% which is in the midpoint of the guidance. Factors for the strong margins this quarter are a couple. Number one, there's – you've seen historically there's seasonality in our margins with Q2 often being the strongest quarter. Because – in part because that ILS transactional revenue comes in at a high incremental margin. And our expenses tend to build steadily over the course of the year.

I think I would also just – I want to highlight, we did – beyond that, we have had strong expense discipline over the course of the year, and I want to highlight that we delivered margin expansion in every single one of the past quarters even despite the more modest transactional revenue impact. So I think, we've had consistently strong expense discipline over that time.

As we build into the balance of the year though, both the seasonality on those second half margins will have an impact and then we will have both general timing of expenses as well as perhaps an opportunity to invest further behind these innovative products as our revenue growth continues to accelerate from here.

Operator: Your final question comes from the line of George Tong with Goldman Sachs. George, your line is open. Please go ahead.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Hi, thanks. Good morning. You highlighted AI as a driver of stronger renewals and improved price realization. Can you help quantify the contribution that AI is making to organic growth today? Is the benefit measured in tens of basis points or has it already become large enough to contribute more meaningfully to organic growth?

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

A

Yeah, thanks George. Look, it's hard – we're still at an early stage. So I don't think that we are able to quantify certainly its current impact. I do think that based upon what we see, we clearly think it could – it should lift our organic growth rate to some degree. It's difficult to parse out across overall renewal and value that we're providing in other areas. But I certainly feel more confident that this is additive to our overall growth rate, certainly on a gross basis and on a net basis. We see just increasing in client engagement and a recognition of the tangible value that they're getting by integrating our data sets with AI models.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.