Verisk Analytics, Inc.
Form 10-Q
August 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number: 001-34480

VERISK ANALYTICS, INC.
(Exact name of registrant as specified in its charter)

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

(201) 469-2000
(Registrant’s telephone number, including area code)

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

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

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

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

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

As of July 29, 2016, there were 168,970,219 shares outstanding of the registrant's Common Stock, par value $.001.

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Exhibit 32.1

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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of June 30, 2016 and December 31, 2015

	2016	2015
	(In thousands, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$196,402	$138,348
Available-for-sale securities	3,372	3,576
Accounts receivable, net of allowance for doubtful accounts of $3,137 and $2,642, respectively	241,326	250,947
Prepaid expenses	30,870	34,126
Income taxes receivable	5,748	48,596
Other current assets	19,199	52,913
Current assets held-for-sale	—	76,063
Total current assets	496,917	604,569
Noncurrent assets:		
Fixed assets, net	334,631	350,311
Intangible assets, net	1,104,262	1,245,083
Goodwill	2,629,941	2,753,026
Pension assets	39,534	32,922
Other assets	119,778	25,845
Noncurrent assets held-for-sale	—	581,896
Total assets	$4,725,063	$5,593,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$163,413	$222,112
Short-term debt and current portion of long-term debt	2,256	874,811
Pension and postretirement benefits, current	1,831	1,831
Deferred revenues	431,171	340,833
Income tax payable	16,495	—
Current liabilities held-for-sale	—	39,670
Total current liabilities	615,166	1,479,257
Noncurrent liabilities:		
Long-term debt	2,273,032	2,270,904
Pension benefits	12,698	12,971
Postretirement benefits	1,868	1,981
Deferred income taxes, net	314,705	329,175
Other liabilities	57,730	58,360
Noncurrent liabilities held-for-sale	—	68,993
Total liabilities	3,275,199	4,221,641
Commitments and contingencies		
Stockholders' equity:		
	137	137

Common stock, $.001 par value; 2,000,000,000 shares authorized; 544,003,038 shares issued and 168,719,149 and 169,424,981 shares outstanding, respectively		
Additional paid-in capital	2,071,497	2,023,390
Treasury stock, at cost, 375,283,889 and 374,578,057 shares, respectively	(2,680,728)	(2,571,190)
Retained earnings	2,516,101	2,161,726
Accumulated other comprehensive losses	(457,143)	(242,052)
Total stockholders' equity	1,449,864	1,372,011
Total liabilities and stockholders' equity	$4,725,063	$5,593,652

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

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VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
For The Three and Six Months Ended June 30, 2016 and 2015

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except for share and per share data)			
Revenues	$498,296	$428,599	$990,997	$812,892
Expenses:				
Cost of revenues (exclusive of items shown separately below)	178,466	154,639	351,743	288,423
Selling, general and administrative	75,557	82,336	146,594	132,050
Depreciation and amortization of fixed assets	29,388	22,677	61,275	42,065
Amortization of intangible assets	23,806	22,904	47,677	30,359
Total expenses	307,217	282,556	607,289	492,897
Operating income	191,079	146,043	383,708	319,995
Other income (expense):				
Investment income (loss) and others, net	846	(259)	890	(761)
Gain on derivative instruments	—	85,187	—	85,187
Interest expense	(31,435)	(37,662)	(63,467)	(55,924)
Total other income (expense), net	(30,589)	47,266	(62,577)	28,502
Income from continuing operations before income taxes	160,490	193,309	321,131	348,497
Provision for income taxes	(53,754)	(34,392)	(104,665)	(93,207)
Income from continuing operations	106,736	158,917	216,466	255,290
Discontinued operations:				
Income from discontinued operations	254,745	7,717	256,525	12,021
Provision for income taxes from discontinued operations	(99,745)	(3,314)	(118,616)	(5,305)
Income from discontinued operations	155,000	4,403	137,909	6,716
Net income	$261,736	$163,320	$354,375	$262,006
Basic net income per share:				
Income from continuing operations	$0.64	$0.97	$1.29	$1.59
Income from discontinued operations	0.92	0.02	0.81	0.04
Basic net income per share	$1.56	$0.99	$2.10	$1.63
Diluted net income per share:				
Income from continuing operations	$0.62	$0.95	$1.26	$1.55
Income from discontinued operations	0.91	0.02	0.81	0.04
Diluted net income per share	$1.53	$0.97	$2.07	$1.59
Weighted average shares outstanding:				
Basic	168,296,318	164,141,804	168,375,034	161,114,861
Diluted	171,218,782	167,586,100	171,349,833	164,533,656

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

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VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For The Three and Six Months Ended June 30, 2016 and 2015

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Net income	$261,736	$163,320	$354,375	$262,006
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(141,178)	(4,209)	(216,521)	(4,429)
Unrealized holding gain on available-for-sale securities	92	7	203	69
Pension and postretirement liability adjustment	720	387	1,227	1,001
Total other comprehensive loss	(140,366)	(3,815)	(215,091)	(3,359)
Comprehensive income	$121,370	$159,505	$139,284	$258,647

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

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VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For The Year Ended December 31, 2015 and The Six Months Ended June 30, 2016

	Common Stock Issued	Par Value	Unearned KSOP Contributions	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Losses	Total Stockholders' Equity
	(In thousands, except for share data)							
Balance, January 1, 2015	544,003,038	$137	$(161)	$1,171,196	$(2,533,764)	$1,654,149	$(80,514)	$211,043
Net income	—	—	—	—	—	507,577	—	507,577
Other comprehensive loss	—	—	—	—	—	—	(161,538)	(161,538)
Treasury stock acquired (1,088,474 shares)	—	—	—	100,000	(120,456)	—	—	(20,456)
KSOP shares earned (47,686 shares reissued from treasury stock)	—	—	161	13,588	327	—	—	14,076
Shares issued from equity offering (10,604,000 shares reissued from treasury stock)	—	—	—	651,258	69,590	—	—	720,848
Stock options exercised, including tax benefit of $27,992 (1,739,847 shares reissued from treasury stock)	—	—	—	57,503	11,730	—	—	69,233
Restricted stock lapsed, including tax benefit of $1,238 (177,252 shares reissued from treasury stock)	—	—	—	68	1,170	—	—	1,238
Employee stock purchase plan (25,599 shares reissued from treasury stock)	—	—	—	1,625	173	—	—	1,798
Stock based compensation	—	—	—	30,116	—	—	—	30,116
Net share settlement from restricted stock awards (32,882	—	—	—	(2,350)	—	—	—	(2,350)

shares withheld for tax settlement)								
Other stock issuances (5,844 shares reissued from treasury stock)	—	—	—	386	40	—	—	426
Balance, December 31, 2015	544,003,038	137	—	2,023,390	(2,571,190)	2,161,726	(242,052)	1,372,011
Net income	—	—	—	—	—	354,375	—	354,375
Other comprehensive loss	—	—	—	—	—	—	(215,091)	(215,091)
Treasury stock acquired (1,663,095 shares)	—	—	—	—	(116,363)	—	—	(116,363)
KSOP shares issued (109,316 shares reissued from treasury stock)	—	—	—	7,433	781	—	—	8,214
Stock options exercised, including tax benefit of $9,944 (655,448 shares reissued from treasury stock)	—	—	—	25,542	4,673	—	—	30,215
Restricted stock lapsed, including tax benefit of $1,713 (163,574 shares reissued from treasury stock)	—	—	—	545	1,168	—	—	1,713
Employee stock purchase plan (16,390 shares reissued from treasury stock)	—	—	—	1,135	117	—	—	1,252
Stock based compensation	—	—	—	16,423	—	—	—	16,423
Net share settlement of restricted stock awards (36,581 shares withheld for tax settlement)	—	—	—	(2,930)	—	—	—	(2,930)
Other stock issuances (12,535 shares reissued from treasury stock)	—	—	—	(41)	86	—	—	45
Balance, June 30, 2016	544,003,038	$137	$—	$2,071,497	$(2,680,728)	$2,516,101	$(457,143)	$1,449,864

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

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VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
For The Six Months Ended June 30, 2016 and 2015

	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income	$354,375	$262,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	68,331	53,070
Amortization of intangible assets	53,581	42,953
Amortization of debt issuance costs and original issue discount	2,472	10,634
Allowance for doubtful accounts	1,327	456
KSOP compensation expense	8,214	7,969
Stock based compensation	16,468	19,047
Gain on derivative instruments	—	(85,187)
Gain on sale of discontinued operations	(269,385)	—
Realized loss (gain) on available-for-sale securities, net	274	(14)
Deferred income taxes	6,123	(7,390)
Loss (gain) on disposal of fixed assets, net	811	(3)
Excess tax benefits from exercised stock options and restricted stock awards	(6,570)	(8,419)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	21,179	37,981
Prepaid expenses and other assets	(1,503)	9,747
Income taxes	61,707	11,858
Accounts payable and accrued liabilities	(26,399)	(27,393)
Deferred revenues	92,581	38,305
Pension and postretirement benefits	(5,232)	(7,129)
Other liabilities	131	(2,990)
Net cash provided by operating activities	378,485	355,501
Cash flows from investing activities:		
Acquisitions, net of cash acquired of $1,034 and $35,398, respectively	(6,200)	(2,811,759)
Purchase of non-controlling interest in non-public companies	—	(101)
Proceeds from sale of discontinued operations	719,374	—
Escrow funding associated with acquisition	—	(78,694)
Proceeds from the settlement of derivative instruments	—	85,187
Capital expenditures	(62,231)	(60,092)
Purchases of available-for-sale securities	(25)	(29)
Proceeds from sales and maturities of available-for-sale securities	283	230
Other investing activities, net	(620)	—
Net cash provided by (used in) investing activities	650,581	(2,865,258)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of original issue discount	—	1,243,966
(Repayment) proceeds of short-term debt, net	(870,000)	30,000
Proceeds from issuance of short-term debt with original maturities greater than three months	—	830,000
Repayment of current portion of long-term debt	—	(170,000)
Repayment of long-term debt	—	(50,000)
Payment of debt issuance costs	—	(23,053)

Repurchases of common stock	(116,363)	—
Excess tax benefits from exercised stock options and restricted stock awards	6,570	8,419
Proceeds from stock options exercised	16,326	18,103
Proceeds from issuance of stock as part of a public offering	—	720,848
Net share settlement of restricted stock awards	(2,930)	(2,350)
Other financing activities, net	(3,536)	(2,569)
Net cash (used in) provided by financing activities	(969,933)	2,603,364
Effect of exchange rate changes	(1,079)	12,525
Increase in cash and cash equivalents	58,054	106,132
Cash and cash equivalents, beginning of period	138,348	39,359
Cash and cash equivalents, end of period	$196,402	$145,491
Supplemental disclosures:		
Taxes paid	$149,597	$87,914
Interest paid	$62,902	$37,977
Noncash investing and financing activities:		
Promissory note received for sale of discontinued operations	$82,900	$—
Equity interest received for sale of discontinued operations	$8,400	$—
Deferred tax liability established on date of acquisition	$293	$258,976
Tenant improvement included in other liabilities	$34	$448
Capital lease obligations	$637	$905
Capital expenditures included in accounts payable and accrued liabilities	$1,629	$4,658

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

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VERISK ANALYTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except for share and per share data, unless otherwise stated)
1. Organization:
Verisk Analytics, Inc. and its consolidated subsidiaries (“Verisk” or the “Company”) enable risk-bearing businesses to better understand and manage their risks. The Company provides its customers proprietary data that, combined with analytic methods, create embedded decision support solutions. The Company is one of the largest aggregators and providers of data pertaining to property and casualty (“P&C”) insurance risks in the United States of America (“U.S.”). The Company offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, global risk analytics, natural resources intelligence, economic forecasting, and many other fields.
Verisk was established to serve as the parent holding company of Insurance Services Office, Inc. (“ISO”) upon completion of the initial public offering ("IPO"), which occurred on October 9, 2009. ISO was formed in 1971 as an advisory and rating organization for the P&C insurance industry to provide statistical and actuarial services, to develop insurance programs and to assist insurance companies in meeting state regulatory requirements. For over the past decade, the Company has broadened its data assets, entered new markets, placed a greater emphasis on analytics, and pursued strategic acquisitions. Verisk trades under the ticker symbol “VRSK” on the NASDAQ Global Select Market.
2. Basis of Presentation and Summary of Significant Accounting Policies:
The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the U.S. (“U.S. GAAP”). The preparation of financial statements in conformity with these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include acquisition purchase price allocations, the fair value of goodwill, the realization of deferred tax assets and liabilities, fair value of stock based compensation, assets and liabilities for pension and postretirement benefits, and the estimate for the allowance for doubtful accounts. Actual results may ultimately differ from those estimates.
Certain reclassifications have been made related to the debt disclosure within the condensed consolidated financial statements and the notes to conform to the respective 2016 presentation in connection with the adoption of Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU No. 2015-03"). On March 31, 2016, the Company's healthcare business qualified as assets held-for-sale. Accordingly, the respective assets and liabilities have been classified as held-for-sale in the condensed consolidated balance sheet at December 31, 2015. The Company's healthcare business was sold on June 1, 2016. The results of operations and the gain on sale of the Company's healthcare business are reported as a discontinued operation for the periods presented herein (See Note 6).
The condensed consolidated financial statements as of June 30, 2016 and for the three and six months ended June 30, 2016 and 2015, in the opinion of management, include all adjustments, consisting of normal recurring items, to present fairly the Company’s financial position, results of operations and cash flows. The operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year. The condensed consolidated financial statements and related notes for the three and six months ended June 30, 2016 have been prepared on the same basis as and should be read in conjunction with the annual report on Form 10-K for the year ended December 31, 2015. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules of the Securities and Exchange Commission (“SEC”). The Company believes the disclosures made are adequate to keep the information presented from being misleading.
Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted the guidance on January 1, 2016 and as a result, debt issuance costs of $22,275 were reclassified from "Other assets" to "Long-term debt" on the Company's condensed consolidated balance sheet as of December 31, 2015.

In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU No. 2015-05"). This guidance is intended to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement, primarily to determine whether the arrangement includes a sale or license of software. The Company adopted the guidance on January 1, 2016. The adoption of ASU No. 2015-05 did not have a material impact on the Company's condensed consolidated financial statements.

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In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU No. 2015-16"). ASU No. 2015-16 requires, for business combinations, that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Company adopted the guidance on January 1, 2016. Adoption of this guidance did not have a material impact on the results of operations or financial position (see Note 5).

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU No. 2016-01”). The amendments in this update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon occurrence of an observable price change or upon identification of an impairment. The amendments in ASU No. 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For amendments applicable to the Company, early adoption is not permitted. The Company will conform to ASC No. 2016-01 in the condensed consolidated financial statements in future periods.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU No. 2016-02"). This ASU amends the existing accounting considerations and treatments for leases through the creation of Topic 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. The amendments in ASU No. 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments is permitted for all entities. The Company has decided not to early adopt ASU No. 2016-02 and is currently evaluating the impact the amendments may have on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Equity Method and Joint Ventures (“ASU No. 2016-07”). The amendments in the update eliminate the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of account as of the date the investment becomes qualified for equity method accounting. The amendments in ASU No. 2016-07 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company has not elected to early adopt. The adoption of ASU No. 2016-07 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, Principal Versus Agent Considerations (“ASU No. 2016-08”). The amendments to this update are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The amendments in ASU No. 2016-08 are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating ASU No. 2016-08 and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU No. 2016-09”). The objective of this update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in ASU No. 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. The Company has not elected to early adopt. The Company is currently evaluating ASU No. 2016-09 and has not determined the impact this amendment may have on its financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Identifying Performance Obligations and Licensing (“ASU No. 2016-10”). The amendments in this update clarify the following two aspects of Accounting Standards Codification ("ASC") 606 ("ASC 606"), Revenue From Contracts With Customers: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The amendments in ASU No. 2016-10 are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating ASU No. 2016-10 and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

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In May 2016, the FASB issued ASU No. 2016-11, Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update) ("ASU No. 2016-11"). Specifically, registrants should not rely on the following SEC Staff Observer comments upon adoption of ASC 606: a. Revenue and Expense Recognition for Freight Services in Process, b. Accounting for Shipping and Handling Fees and Costs, c. Accounting for Consideration Given by a Vendor to a Customer, and d. Accounting for Gas-Balancing Arrangements. The adoption of ASU No. 2016-11 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients ("ASU No. 2016-12"). ASU No. 2016-12 does not change the core principle of the guidance in ASC 606. Rather, this update affects only the narrow scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. The effective date and transition requirements for ASU 2016-12 are the same as the effective date and transition requirements for ASC 606. The adoption of ASU No. 2016-12 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU No. 2016-13"). Financial assets measured at amortized cost basis, including but not limited to loans, debt securities and trade receivables , that have the contractual right to receive cash are within the scope of this guidance. Under ASU No. 2016-13, these financial assets should be presented at the net amount expected to be collected. The income statement should reflect the measurement of credit losses that have taken place during the period. The amendments in ASU No. 2016-13 are effective for fiscal years beginning after December 15, 2019. Earlier adoption is permitted. The Company has decided not to early adopt ASU No. 2016-13. The adoption of ASU No. 2016-13 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

3. Investments:

Available-for-sale securities consisted of the following:

	Adjusted Cost	Gross Unrealized Gain (Loss)	Fair Value
June 30, 2016			
Registered investment companies	$ 3,090	$ 282	$ 3,372
December 31, 2015			
Registered investment companies	$ 3,622	$ (46)	$ 3,576

In addition to the available-for-sale securities above, the Company has equity investments in non-public companies in which the Company acquired non-controlling interests and for which no readily determinable market value exists. These securities were accounted for in accordance with ASC 323-10-25, The Equity Method of Accounting for Investments in Common Stock ("ASC 323-10-25"). At June 30, 2016 and December 31, 2015, the carrying value of such securities was $16,887 and $8,487, respectively, and has been included in “Other assets” in the accompanying condensed consolidated balance sheets.

4. Fair Value Measurements:

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

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

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

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

The fair values of cash and cash equivalents (other than money-market funds, which are recorded on a reported net asset value basis disclosed below), accounts receivable, securities accounted for under ASC 323-10-25, accounts payable and accrued

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liabilities, deferred revenues, and short-term debt approximate their carrying amounts because of the short-term nature of these instruments.

The following table summarizes fair value measurements by level for cash equivalents and registered investment companies that were measured at fair value on a recurring basis:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
June 30, 2016	
Registered investment companies (1)	$ 3,372
December 31, 2015	
Registered investment companies (1)	$ 3,576

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

The Company has not elected to carry its long-term debt at fair value. The carrying value of the long-term debt represents amortized cost. The Company assesses the fair value of its long-term debt based on quoted market prices if available, and if not, an estimate of interest rates available to the Company for debt with similar features, the Company’s current credit rating and spreads applicable to the Company. The following table summarizes the carrying value and estimated fair value of the long-term debt as of June 30, 2016 and December 31, 2015, respectively:

	Fair Value Hierarchy	2016 Carrying Value	Estimated Fair Value	2015 Carrying Value	Estimated Fair Value
Financial instrument not carried at fair value:					
Subordinated promissory note receivable	Level 2	$83,078	$82,900	$—	$—
Long-term debt excluding capitalized leases	Level 2	$2,275,767	$2,462,613	$2,274,144	$2,328,134

5. Acquisitions:

2016 Acquisition

On April 14, 2016, the Company acquired 100 percent of the stock of Risk Intelligence Ireland ("RII"), a leading provider of fraud detection, compliance, risk control, and process automation services to the Irish insurance industry, for a net cash purchase price of $6,200. RII enhances the ability of the Company's Risk Assessment segment to serve the international insurance market. The allocations of the purchase price will be finalized once all information is obtained, but not to exceed one year from the acquisition date.

2015 Acquisitions

On May 19, 2015, the Company acquired 100 percent of the stock of Wood Mackenzie Limited ("Wood Mackenzie") for a net cash purchase price of $2,889,629, including $78,694 of an indemnity escrow, which the Company financed through a combination of debt and equity offerings, borrowings under the Company's credit facility, and cash on hand. Due to the fact that a portion of the purchase price was funded in pounds sterling and the remainder in U.S. dollars, the Company entered into a foreign currency hedging instrument to purchase pounds sterling. The Company recorded a gain on the hedge of $85,187 for the three and six months ended June 30, 2015. The proceeds from the gain were utilized to partially fund the acquisition of Wood Mackenzie. Wood Mackenzie is a global provider of data analytics and commercial intelligence for the energy, chemicals, metals and mining verticals. This acquisition advances the Company’s strategy to expand internationally and positions the Company in the global energy market. Wood Mackenzie is included in the energy and specialized markets vertical, formerly named the specialized markets vertical, of the Decision Analytics segment.

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As of June 30, 2016, the Company finalized the purchase accounting for the acquisition of Wood Mackenzie. The final purchase price allocations of the acquisition resulted in the following:

	Wood Mackenzie
Cash and cash equivalents	$35,398
Accounts receivable	80,307
Current assets	97,397
Fixed assets	71,929
Intangible assets	1,111,950
Goodwill and other	2,002,418
Other assets	1,993
Total assets acquired	3,401,392
Current liabilities	121,996
Deferred revenues	142,457
Deferred income taxes, net	204,289
Other liabilities	7,623
Total liabilities assumed	476,365
Net assets acquired	2,925,027
Cash acquired	(35,398)
Net cash purchase price	$2,889,629

The impact of finalization of the purchase accounting for Wood Mackenzie was not material to the condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015.

The Company determined the fair values of the assets and liabilities of Wood Mackenzie with the assistance of valuations performed by third party specialists, discounted cash flow analysis and estimates made by management. The final amounts assigned to intangible assets by type for the Wood Mackenzie acquisition are summarized in the table below:

	Weighted Average Useful Life	Total
Technology-related	7 years	$104,663
Marketing-related	20 years	232,935
Customer-related	15 years	278,106
Database-related	20 years	496,246
Total intangible assets		$1,111,950

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Supplemental information on an unaudited pro forma basis is presented below as if the acquisition of Wood Mackenzie occurred at the beginning of 2015. The pro forma information for the three and six months ended June 30, 2015 presented below is based on estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of the condensed consolidated financial position or results of operations in future periods or the results that actually would have been realized had this acquisition been completed at the beginning of 2015. The unaudited pro forma information includes intangible asset amortization charges and incremental borrowing costs as a result of the acquisition, net of related tax, estimated using the Company's effective tax rate for continuing operations for the three and six months ended June 30, 2015:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
	(unaudited)	
Pro forma revenues	$477,561	$952,606
Pro forma income from continuing operations	$140,378	$255,129
Pro forma basic income from continuing operations per share	$0.86	$1.58
Pro forma diluted income from continuing operations per share	$0.84	$1.55

On November 6, 2015, the Company acquired 100 percent of the stock of Infield Systems Limited ("Infield"). Infield is a provider of business intelligence, analysis, and research to the oil, gas, and associated marine industries. Infield has become part of Wood Mackenzie and continues to provide services to enhance Wood Mackenzie's upstream and supply chain capabilities in the Decision Analytics segment. The Company paid a net cash purchase price of $13,804.
On November 20, 2015, the Company acquired 100 percent of the stock of The PCI Group ("PCI"). PCI is a consortium of five specialist companies that offer integrated data and subscriptions research in the chemicals, fibers, films, and plastics sectors. PCI has become part of Wood Mackenzie and continues to provide services to enhance Wood Mackenzie's chemicals capabilities in the Decision Analytics segment. The Company paid a net cash purchase price of $37,387.
The preliminary allocations of the purchase prices for the acquisitions of Infield and PCI are subject to revisions as additional information is obtained about the facts and circumstances that existed as of the acquisition dates. The revisions may have a significant impact on the condensed consolidated financial statements. The allocations of the purchase prices will be finalized once all information is obtained, but not to exceed one year from the acquisition dates. The primary areas of the purchase price allocations that are not yet finalized relate to fixed assets and operating leases, income and non-income taxes, deferred revenues, the valuation of intangible assets acquired, and residual goodwill.

The goodwill associated with the stock purchases of Wood Mackenzie, Infield and PCI is not deductible for tax purposes. For the six months ended June 30, 2015, the Company incurred transaction costs related to the Wood Mackenzie acquisition of $26,617 included within "Selling, general and administrative" expenses and $13,336 included within "Interest expense" in the accompanying condensed consolidated statements of operations.

Acquisition Escrows

Pursuant to the related acquisition agreements, the Company has funded various escrow accounts to satisfy pre-acquisition indemnity and tax claims arising subsequent to the acquisition date, as well as a portion of the contingent payments. At June 30, 2016 and December 31, 2015, the current portion of the escrows amounted to $4,856 and $38,656, and the noncurrent portion of the escrows amounted to $0 and $4,591, respectively. The current and noncurrent portions of the escrows have been included in "Other current assets" and "Other assets" in the accompanying condensed consolidated balance sheets, respectively.
6. Discontinued Operations:

On June 1, 2016, the Company sold 100 percent of the stock of its healthcare business, Verisk Health ("Verisk Health"), in exchange for a purchase price that consisted of $719,374 of cash consideration after a working capital adjustment of $626, a subordinated promissory note with a face value of $100,000 and an eight year maturity (the "Note"), and other contingent consideration (collectively, the "Sale"). The Company recognized income from the discontinued operation, net of tax, of $155,000 and $137,909 for the three and six months ended June 30, 2016, respectively. Results of operations for the healthcare business are reported as a discontinued operation for the three and six months ended June 30, 2016 and for all prior periods presented.

The Note has a stated interest rate of 9.0% per annum, increasing to 11.0% per annum at the earlier of specified refinancings or acquisitions, or the fourth anniversary of the closing of the Sale. Interest shall accrue from the closing date and on each anniversary of the Sale until the Note is paid in full on the unpaid principal amount of the Note outstanding at the interest rate in effect (computed

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on the basis of a 360-day year of twelve 30-day months). On each anniversary of the Sale, accrued interest shall be paid in kind by adding the amount of such accrued interest to the outstanding principal amount of the Note. The issuer of the Note may, at its option at any time prior to the maturity date, prepay any, or all, of the principal amount of the Note, plus accrued but unpaid interest as of the elected prepayment date, without any premium or penalty. There is a mandatory prepayment of the Note as a result of (i) the proceeds of a specified dividend recapitalization received by the issuer, (ii) the consummation of a change of control of the issuer, or (iii) the sale, transfer or other disposition by the parent of the issuer of more than 10.0% of the capital stock of the issuer. As of June 30, 2016, the Company had a receivable of $83,078 outstanding under the Note. The fair value of the Note is based on management estimates with the assistance of valuations performed by third party specialists, discounted cash flow analysis based on current market conditions and assumptions that the Note would be paid in full at maturity, including accrued interest, with no prepayment election.

The Company also received a 10.0% interest in the issuer's stock, the exercise value of which will be contingent on the parent of the issuer realizing a specified rate of return on its investment. As of June 30, 2016, the Company had an equity investment of $8,400 related to such interest accounted for in accordance with ASC 323-10-25. The value of the equity investment is based on management estimates with the assistance of valuations performed by third party specialists. Refer to Note 3. Investments for further discussion.

The following table summarizes the results from the discontinued operation for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues from discontinued operations	$43,173	$69,051	$112,323	$144,155
Expenses:				
Cost of revenues (exclusive of items shown separately below)	31,399	40,557	75,878	90,989
Selling, general and administrative	26,448	8,956	36,559	17,548
Depreciation and amortization of fixed assets	70	5,951	7,056	11,005
Amortization of intangible assets	—	5,908	5,904	12,594
Total expenses	57,917	61,372	125,397	132,136
Operating income	(14,744)	7,679	(13,074)	12,019
Other income (expense):				
Gain on sale	269,385	—	269,385	—
Investment income and others, net	104	38	214	2
Total other income	269,489	38	269,599	2
Income from discontinued operations before income taxes	254,745	7,717	256,525	12,021
Provision for income taxes (including tax on gain of $118,019)	(99,745)	(3,314)	(118,616)	(5,305)
Income from discontinued operations, net of tax	$155,000	$4,403	$137,909	$6,716

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The following table summarizes the assets held-for-sale and the liabilities held-for-sale as of December 31, 2015:

	December 31, 2015
Accounts receivable, net of allowance for doubtful accounts of $2,428	$ 69,152
Prepaid expenses	6,615
Income tax receivable	257
Other current assets	39
Total current assets held-for-sale	$ 76,063
Fixed assets, net	$ 67,857
Intangible assets, net	131,662
Goodwill	381,800
Other assets	577
Total noncurrent assets held-for-sale	$ 581,896