Verisk Analytics, Inc.
Form 10-Q
November 05, 2013
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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 September 30, 2013
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 (State or other jurisdiction of incorporation or organization)	26-2994223 (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 November 1, 2013, there was the following number of shares outstanding of each of the issuer's classes of common stock:

Class	Shares Outstanding
Class A common stock $.001 par value	168,231,917

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Exhibit 32.1

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Item 1. Financial Statements

VERISK ANALYTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2013 and December 31, 2012

	2013 (unaudited)	2012
	(In thousands, except for share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 180,203	$ 89,819
Available-for-sale securities	4,514	4,883
Accounts receivable, net of allowance for doubtful accounts of $5,389 and $4,753, respectively	167,767	178,430
Prepaid expenses	25,986	21,946
Deferred income taxes, net	11,960	10,397
Income taxes receivable	42,191	45,975
Other current assets	28,709	39,109
Total current assets	461,330	390,559
Noncurrent assets:		
Fixed assets, net	219,116	154,084
Intangible assets, net	471,139	520,935
Goodwill	1,250,888	1,247,459
Other assets	27,399	47,299
Total assets	$ 2,429,872	$ 2,360,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 171,285	$ 187,648
Short-term debt and current portion of long-term debt	39,459	195,263
Pension and postretirement benefits, current	1,734	1,734
Fees received in advance	244,160	200,705
Total current liabilities	456,638	585,350
Noncurrent liabilities:		
Long-term debt	1,271,170	1,266,162
Pension benefits	28,534	38,655
Postretirement benefits	1,922	2,627
Deferred income taxes, net	143,432	133,761
Other liabilities	45,174	78,190
Total liabilities	1,946,870	2,104,745
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, $.001 par value; 1,200,000,000 shares authorized; 544,003,038 shares issued and 168,220,591 and 167,727,073 outstanding, respectively	137	137
Unearned KSOP contributions	(371)	(483)
Additional paid-in capital	1,156,175	1,044,746

Treasury stock, at cost, 375,782,447 and 376,275,965 shares, respectively	(1,753,231)	(1,605,376)
Retained earnings	1,166,884	905,727
Accumulated other comprehensive losses	(86,592)	(89,160)
Total stockholders’ equity	483,002	255,591
Total liabilities and stockholders’ equity	$ 2,429,872	$ 2,360,336

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 Nine Months Ended September 30, 2013 and 2012

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except for share and per share data)			
Revenues	$ 438,597	$ 398,863	$ 1,263,240	$ 1,118,590
Expenses:				
Cost of revenues (exclusive of items shown separately below)	176,580	156,749	515,692	437,153
Selling, general and administrative	59,330	58,707	179,510	175,159
Depreciation and amortization of fixed assets	17,704	12,714	49,729	37,448
Amortization of intangible assets	15,393	15,442	49,796	36,216
Total expenses	269,007	243,612	794,727	685,976
Operating income	169,590	155,251	468,513	432,614
Other income (expense):				
Interest expense	(18,692)	(18,133)	(58,486)	(51,895)
Investment income	227	136	315	397
Realized gain (loss) on available-for-sale securities, net	1	(638)	(99)	(338)
Total other expense, net	(18,464)	(18,635)	(58,270)	(51,836)
Income before income taxes	151,126	136,616	410,243	380,778
Provision for income taxes	(54,685)	(53,705)	(149,086)	(149,935)
Net income	$ 96,441	$ 82,911	$ 261,157	$ 230,843
Basic net income per share	$ 0.57	$ 0.50	$ 1.55	$ 1.39
Diluted net income per share	$ 0.56	$ 0.48	$ 1.51	$ 1.34
Weighted average shares outstanding:				
Basic	168,044,100	165,978,080	168,089,919	165,587,027
Diluted	172,154,553	171,660,543	172,460,960	171,637,571

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 Nine Months Ended September 30, 2013 and 2012

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Net income	$ 96,441	$ 82,911	$ 261,157	$ 230,843
Other comprehensive income, net of tax:				
Unrealized foreign currency gain (loss)	275	4	(406)	(130)
Unrealized holding gain (loss) on available-for-sale securities	139	96	(175)	(217)
Pension and postretirement unfunded liability adjustment	1,332	401	3,149	1,781
Total other comprehensive income	1,746	501	2,568	1,434
Comprehensive income	$ 98,187	$ 83,412	$ 263,725	$ 232,277

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 (DEFICIT) (UNAUDITED)
For The Year Ended December 31, 2012 and The Nine Months Ended September 30, 2013

	Class A Common Stock	Par Value	Unearned KSOP Contributions	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Losses	Total Stockholders' Equity (Deficit)
	(In thousands, except for share data)							
Balance, December 31, 2011	544,003,038	$ 137	$ (691)	$ 874,808	$ (1,471,042)	$ 576,585	$ (78,287)	$ (98,490)
Net income	—	—	—	—	—	329,142	—	329,142
Other comprehensive loss	—	—	—	—	—	—	(10,873)	(10,873)
Treasury stock acquired (3,491,591 shares)	—	—	—	—	(162,586)	—	—	(162,586)
KSOP shares earned	—	—	208	12,903	—	—	—	13,111
Stock options exercised, including tax benefit of $88,185 (6,880,678 shares reissued from treasury stock)	—	—	—	131,824	28,039	—	—	159,863
Restricted stock lapsed, including tax benefit of $202 (41,908 shares reissued from treasury stock)	—	—	—	34	167	—	—	201
Employee stock purchase plan (6,074 shares reissued from treasury stock)	—	—	—	268	26	—	—	294
Stock based compensation	—	—	—	24,696	—	—	—	24,696

Other stock issuances (4,777 shares reissued from treasury stock)	—	—	—	213	20	—	—	233
Balance, December 31, 2012	544,003,038	137	(483)	1,044,746	(1,605,376)	905,727	(89,160)	255,591
Net income	—	—	—	—	—	261,157	—	261,157
Other comprehensive income	—	—	—	—	—	—	2,568	2,568
Treasury stock acquired (2,707,562 shares)	—	—	—	—	(162,081)	—	—	(162,081)
KSOP shares earned	—	—	112	11,062	—	—	—	11,174
Stock options exercised, including tax benefit of $43,825 (3,028,040 shares reissued from treasury stock)	—	—	—	81,684	13,467	—	—	95,151
Restricted stock lapsed, including tax benefit of $974 (143,367 shares reissued from treasury stock)	—	—	—	350	624	—	—	974
Employee stock purchase plan (21,564 shares reissued from treasury stock)	—	—	—	1,170	98	—	—	1,268
Stock based compensation	—	—	—	16,745	—	—	—	16,745
Other stock issuances (8,109 shares reissued from treasury stock)	—	—	—	418	37	—	—	455
	544,003,038	$ 137	$ (371)	$ 1,156,175	$ (1,753,231)	$ 1,166,884	$ (86,592)	$ 483,002

Balance,
September 30,
2013
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 Nine Months Ended September 30, 2013 and 2012

	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 261,157	$ 230,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	49,729	37,448
Amortization of intangible assets	49,796	36,216
Amortization of debt issuance costs and original issue discount	2,048	1,649
Allowance for doubtful accounts	1,188	576
KSOP compensation expense	11,174	9,481
Stock based compensation	16,745	19,303
Realized loss on available-for-sale securities, net	99	338
Deferred income taxes	5,888	(526)
Loss on disposal of fixed assets	476	88
Excess tax benefits from exercised stock options	(81,689)	(55,056)
Other operating activities, net	448	215
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	9,475	(3,026)
Prepaid expenses and other assets	(4,727)	7,126
Income taxes	48,554	99,508
Accounts payable and accrued liabilities	12,267	3,168
Fees received in advance	43,372	39,588
Pension and postretirement benefits	(6,532)	(97,809)
Other liabilities	(33,016)	(8,133)
Net cash provided by operating activities	386,452	320,997
Cash flows from investing activities:		
Acquisitions, net of cash acquired of $0 and $36,113, respectively	(983)	(743,091)
Purchase of non-controlling interest in non-public companies	—	(2,000)
Earnout payments	—	(250)
Proceeds from release of acquisition related escrows	280	—
Escrow funding associated with acquisitions	—	(37,800)
Purchases of fixed assets	(107,915)	(55,724)
Purchases of available-for-sale securities	(5,003)	(1,317)
Proceeds from sales and maturities of available-for-sale securities	5,825	1,478
Other investing activities, net	439	—
Net cash used in investing activities	(107,357)	(838,704)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of original issue discount	—	347,224
Repayment of current portion of long-term debt	(145,000)	—
Repayment of short-term debt refinanced on a long-term basis	—	(347,224)
(Repayment) proceeds of short-term debt, net	(10,000)	462,224
Payment of debt issuance costs	—	(3,623)
Excess tax benefits from exercised stock options	81,689	55,056
Repurchase of common stock	(160,970)	(128,073)
Proceeds from stock options exercised	51,326	43,571
Other financing activities, net	(5,350)	(5,151)

Net cash (used in) provided by financing activities	(188,305)	424,004
Effect of exchange rate changes	(406)	(130)
Increase (decrease) in cash and cash equivalents	90,384	(93,833)
Cash and cash equivalents, beginning of period	89,819	191,603
Cash and cash equivalents, end of period	$ 180,203	$ 97,770
Supplemental disclosures:		
Taxes paid	$ 102,203	$ 51,017
Interest paid	$ 58,018	$ 41,431
Noncash investing and financing activities:		
Repurchase of common stock included in accounts payable and accrued liabilities	$ 2,622	$ 953
Deferred tax liability established on date of acquisition	$ (1,187)	$ (78,832)
Capital lease obligations	$ 9,014	$ 3,544
Capital expenditures included in accounts payable and accrued liabilities	$ 2,890	$ 998
Increase in goodwill due to acquisition related escrow distributions	$ —	$ 4,128

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 solutions for detecting fraud in the U.S. P&C insurance, financial services, and healthcare industries and sophisticated methods to predict and quantify loss in diverse contexts ranging from natural catastrophes to supply chain to health insurance. The Company provides solutions, including data, statistical models or tailored analytics, all designed to allow clients to make more logical decisions.

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

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

The accompanying unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the U.S. ("U.S. GAAP"). The preparation of financial statements in conformity with these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include acquisition purchase price allocations, the fair value of goodwill, the realization of deferred tax assets, fair value of stock based compensation, liabilities for pension and postretirement benefits, and the estimate for the allowance for doubtful accounts. Actual results may ultimately differ from those estimates. Certain combinations have been made related to federal and state income taxes and to the segment reporting within revenue categories in the condensed consolidated financial statements and the notes to conform to the respective 2013 presentation.

The condensed consolidated financial statements as of September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012, in the opinion of management, include all adjustments, consisting of normal recurring accruals, to present fairly the Company's financial position, results of operations and cash flows. The operating results for the three and nine months ended September 30, 2013 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 nine months ended September 30, 2013 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, 2012. 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 February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU No. 2013-02"). Under ASU No. 2013-02, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income by component, either on the face of the financial statement where net income is presented or in the notes thereto. ASU No. 2013-02 is effective prospectively for reporting periods beginning after December 15, 2012. ASU 2013-02 was adopted by the Company on January 1, 2013. The Company elected to present the information as a separate disclosure in the notes to the condensed consolidated financial statements. Refer to Note 9 for further discussion.

In February 2013, the FASB issued ASU No. 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date ("ASU No. 2013-04"). Under ASU No. 2013-04, an entity is required to measure and disclose the amounts and nature of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. ASU No. 2013-04 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company has elected not to early adopt this standard. The adoption of ASU 2013-04 will not have a material impact on the Company's condensed consolidated financial statements as the long-term debt resulting from joint and several liability arrangements

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has been measured on a gross basis and disclosed in Note 8. Other obligations resulting from joint and several liability arrangements, such as contingencies, retirement benefits and income taxes, are excluded from the scope of this ASU.
In March 2013, the FASB issued ASU No. 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (“ASU No. 2013-05”). Under ASU No. 2013-05, an entity is required to release any related cumulative translation adjustment into net income upon cessation to have a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company has elected not to early adopt this standard. The adoption of ASU 2013-05 is not expected to have a material impact on the Company’s condensed consolidated financial statements.
In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU No. 2013-11”). Under ASU No. 2013-11, an unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with the exception that these unrecognized tax benefits are not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or the tax law. An additional exception applies when the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability and should not be combined with deferred tax assets. ASU No. 2013-11 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company has elected not to early adopt this standard. The Company is currently assessing the potential impact of ASU No. 2013-11 on its financial statements.
3. Investments:
Available-for-sale securities consisted of the following:

	Adjusted Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
September 30, 2013				
Registered investment companies	$ 4,748	$ —	$ (234)	$ 4,514
December 31, 2012				
Registered investment companies	$ 4,830	$ 53	$ —	$ 4,883

In addition to the available-for-sale securities above, the Company has equity investments in non-public companies in which the Company acquired non-controlling interests and for which no readily determinable market value exists. These securities were accounted for under the cost method in accordance with Accounting Standards Codification (“ASC”) 323-10-25, The Equity Method of Accounting for Investments in Common Stock. At September 30, 2013 and December 31, 2012, the carrying value of such securities was $3,737 and $5,015, respectively, and has been included in “Other assets” in the accompanying condensed consolidated balance sheets.

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4. Fair Value Measurements:

Certain assets and liabilities of the Company are reported at fair value on a recurring basis in the accompanying condensed consolidated balance sheets. Such assets and liabilities include amounts for both financial and non-financial instruments. To increase consistency and comparability of assets and liabilities recorded at fair value, ASC 820-10, Fair Value Measurements (“ASC 820-10”), 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 participant would require.

The following table provides information for assets reported at fair value as of September 30, 2013 and December 31, 2012. 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, accounts payable and accrued liabilities, and short-term debt approximate their carrying amounts because of the short-term nature of these instruments.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
September 30, 2013			
Cash equivalents - money-market funds	$ 547	$ —	$ 547
Registered investment companies (1)	$ 4,514	$ 4,514	$ —
December 31, 2012			
Cash equivalents - money-market funds	$ 760	$ —	$ 760
Registered investment companies (1)	$ 4,883	$ 4,883	$ —

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(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 fair value of the long-term debt would be a Level 2 liability if the long-term debt was measured at fair value on the condensed consolidated balance sheets. The following table summarizes the carrying value and estimated fair value of the long-term debt as of September 30, 2013 and December 31, 2012 respectively:

	2013 Carrying Value	Estimated Fair Value	2012 Carrying Value	Estimated Fair Value
Financial instrument not carried at fair value:				
Long-term debt excluding capitalized leases	$ 1,299,949	$ 1,387,337	$ 1,454,409	$ 1,575,950

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5. Acquisitions:
2012 Acquisitions
On December 20, 2012, the Company acquired the net assets of Insurance Risk Management Solutions ("IRMS"). IRMS provided integrated property risk assessment technology underlying one of the Company's geographic information system ("GIS") underwriting solutions. At the end of 2012, the long-term contract with IRMS was expiring and precipitated a change in the business relationship. Instead of continuing forward with a new service agreement, the Company acquired IRMS as this will enable the Company to better manage, enhance and continue to use the solutions as part of its Risk Assessment segment. The Company paid a net cash purchase price of $26,422 and funded $1,000 of indemnity escrows.
On August 31, 2012, the Company acquired Argus Information & Advisory Services, LLC ("Argus"), a provider of information, competitive benchmarking, scoring solutions, analytics, and customized services to financial institutions and regulators in North America, Latin America, and Europe, for a net cash purchase price of approximately $404,995 and funded $20,000 of indemnity escrows. Argus leverages its comprehensive payment data sets and provides proprietary solutions to a client base that includes credit and debit card issuers, retail banks and other consumer financial services providers, payment processors, insurance companies, and other industry stakeholders. Within the Company's Decision Analytics segment, this acquisition enhances the Company's position as a provider of data, analytics, and decision-support solutions to financial institutions globally.
On July 2, 2012, the Company acquired the net assets of Aspect Loss Prevention, LLC ("ALP"), a provider of loss prevention and analytic solutions to the retail, entertainment, and food industries, for a net cash purchase price of approximately $6,917 and funded $800 of indemnity escrows. Within the Company's Decision Analytics segment, ALP further advances the Company's position as a provider of data, crime analytics, and decision-support solutions.
On March 30, 2012, the Company acquired 100% of the stock of MediConnect Global, Inc. ("MediConnect"), a service provider of medical record retrieval, digitization, coding, extraction, and analysis, for a net cash purchase price of approximately $331,405 and funded $17,000 of indemnity escrows. Within the Company's Decision Analytics segment, MediConnect further supports the Company's objective as the leading provider of data, analytics, and decision-support solutions to the healthcare and property casualty industry.
The preliminary allocations of the purchase prices for IRMS as disclosed as of December 31, 2012 is subject to revisions as additional information is obtained about the facts and circumstances that existed as of the acquisition date. The revisions may have an impact on the condensed consolidated financial statements. The allocations of the purchase price will be finalized once all information is obtained, but not to exceed one year from the acquisition date.
Supplemental information on an unaudited pro forma basis is presented below as if the acquisitions of MediConnect and Argus occurred at the beginning of the year 2012. The pro forma information for the nine months ended September 30, 2012 presented below is based on estimates and assumptions, which the Company believes are reasonable and not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had these acquisitions been completed at the beginning of 2012. The unaudited pro forma information includes intangible asset amortization charges and incremental borrowing costs as a result of the acquisitions, net of related tax, estimated using the Company's effective tax rate for continuing operations for the nine months ended September 30:

	2012 (unaudited)
Pro forma revenues	$ 1,173,420
Pro forma net income	$ 222,840
Pro forma basic income per share	$ 1.35
Pro forma diluted income per share	$ 1.30

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 dates, as well as a portion of the contingent payments. At September 30, 2013 and December 31, 2012, the current portion of the escrows amounted to

$22,985 and $29,277, and the noncurrent portion of the escrow amounted to $5,000 and $26,803, 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.

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6. Goodwill and Intangible Assets:

The following is a summary of the change in goodwill from December 31, 2012 through September 30, 2013, both in total and as allocated to the Company’s operating segments:

	Risk Assessment	Decision Analytics	Total
Goodwill at December 31, 2012 (1)	$ 55,555	$ 1,191,904	$ 1,247,459
Current year acquisition	—	705	705
Purchase accounting reclassifications	—	2,724	2,724
Goodwill at September 30, 2013 (1)	$ 55,555	$ 1,195,333	$ 1,250,888

(1) These balances are net of accumulated impairment charges of $3,244 that occurred prior to December 31, 2012.

The Company finalized the purchase accounting for the acquisitions of MediConnect, ALP and Argus during the nine months ended September 30, 2013. The impact of the finalization of the purchase accounting for these acquisitions was not material to the condensed consolidated statements of operations for the three and nine months ended September 30, 2013.

Goodwill and intangible assets with indefinite lives are subject to impairment testing annually as of June 30, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Goodwill impairment testing compares the carrying value of each reporting unit to its fair value. If the fair value of the reporting unit exceeds the carrying value of the net assets, including goodwill assigned to that reporting unit, goodwill is not impaired. If the carrying value of the reporting unit’s net assets including goodwill exceeds the fair value of the reporting unit, then the Company will determine the implied fair value of the reporting unit’s goodwill. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, then an impairment loss is recorded for the difference between the carrying amount and the implied fair value of goodwill. The Company completed the required annual impairment test as of June 30, 2013, which resulted in no impairment of goodwill. There were no goodwill impairment indicators after the date of the last annual impairment test.

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

	Weighted Average Useful Life	Cost	Accumulated Amortization	Net
September 30, 2013				
Technology-based	8 years	$ 313,590	$ (195,481)	$ 118,109
Marketing-related	5 years	79,101	(49,514)	29,587
Contract-based	6 years	6,555	(6,555)	—
Customer-related	13 years	413,043	(89,600)	323,443
Total intangible assets		$ 812,289	$ (341,150)	$ 471,139
December 31, 2012				
Technology-based	8 years	$ 313,590	$ (177,929)	$ 135,661
Marketing-related	5 years	79,101	(41,079)	38,022
Contract-based	6 years	6,555	(6,555)	—
Customer-related	13 years	413,043	(65,791)	347,252
Total intangible assets		$ 812,289	$ (291,354)	$ 520,935

Amortization expense related to intangible assets for the three months ended September 30, 2013 and 2012 was $15,393 and $15,442, respectively. Amortization expense related to intangible assets for the nine months ended September 30, 2013 and 2012 was $49,796 and $36,216, respectively. Estimated amortization expense in future periods through 2018 and thereafter for intangible assets subject to amortization is as follows:

Year	Amount
2013	$ 14,510
2014	57,168
2015	51,252
2016	49,421
2017	48,518
2018 and Thereafter	250,270
	$ 471,139

7. Income Taxes:

The Company’s effective tax rate for the three and nine months ended September 30, 2013 was 36.19%, and 36.34%, respectively, compared to the effective tax rate for the three and nine months ended September 30, 2012 of 39.31% and 39.38%, respectively. The effective tax rate for the three and nine months ended September 30, 2013 is lower than the September 30, 2012 effective tax rate primarily due to the continued execution of tax planning strategies and favorable settlements and resolution of uncertain tax positions. The difference between statutory tax rates and the Company’s effective tax rate is primarily attributable to state taxes and nondeductible share appreciation from the ISO 401(k) Savings and Employee Stock Ownership Plan (“KSOP”).

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8. Debt:
The following table presents short-term and long-term debt by issuance as of September 30, 2013 and December 31, 2012:

	Issuance Date	Maturity Date	2013	2012
Short-term debt and current portion of long-term debt:				
Syndicated revolving credit facility	Various	Various	$ —	$ 10,000
Aviva Investors senior notes:				
6.46% Series A senior notes	4/27/2009	4/27/2013	—	30,000
New York Life senior notes:				
5.87% Series A senior notes	10/26/2007	10/26/2013	17,500	17,500
Principal senior notes:				
6.16% Series B senior notes	8/8/2006	8/8/2013	—	25,000
Prudential senior notes:				
6.13% Series G senior notes	8/8/2006	8/8/2013	—	75,000
5.84% Series H senior notes	10/26/2007	10/26/2013	17,500	17,500
6.28% Series I senior notes	4/29/2008	4/29/2013	—	15,000
Capital lease obligations	Various	Various	4,459	5,263
Short-term debt and current portion of long-term debt			39,459	195,263
Long-term debt:				
Verisk senior notes:				
5.800% senior notes, less unamortized discount of $784 and $862, respectively	4/6/2011	5/1/2021	449,216	449,138
4.875% senior notes, less unamortized discount of $1,783 and $2,037, respectively	12/8/2011	1/15/2019	248,217	247,963
4.125% senior notes, less unamortized discount of $2,484 and $2,692, respectively	9/12/2012	9/12/2022	347,516	347,308
New York Life senior notes:				
5.87% Series A senior notes	10/26/2007	10/26/2015	17,500	17,500
6.35% Series B senior notes	4/29/2008	4/29/2015	50,000	50,000
Prudential senior notes:				
5.84% Series H senior notes	10/26/2007	10/26/2015	17,500	17,500
6.28% Series I senior notes	4/29/2008	4/29/2015	85,000	85,000
6.85% Series J senior notes	6/15/2009	6/15/2016	50,000	50,000
Capital lease obligations	Various	Various	6,221	1,753
Long-term debt			1,271,170	1,266,162
Total debt			$ 1,310,629	$ 1,461,425

As of September 30, 2013, the Company had an $850,000 committed senior unsecured Syndicated Revolving Credit Facility (the “Credit Facility”) with Bank of America N.A., JPMorgan Chase Bank N.A., and a syndicate of banks. Borrowings may be used for general corporate purposes, including working capital needs and capital expenditures, acquisitions and the share repurchase program (the “Repurchase Program”). As of September 30, 2013 and December 31, 2012, the Company had $0 and $10,000, respectively, outstanding under the Credit Facility.
In October 2013, the Company amended its Credit Facility to increase the borrowing capacity from $850,000 to $975,000 and extend the maturity date from October 24, 2017 to October 24, 2018. The Company amortizes all one-time fees and third party costs associated with the execution and amendment of this Credit Facility through the maturity date.

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

Share Repurchase Program
The Company has authorized repurchases up to $1,200,000 of its common stock through its Repurchase Program, including the additional $300,000 authorized by the board of directors in June 2013. As of September 30, 2013, the Company had $282,111 available to repurchase shares. The Company has no obligation to repurchase stock under this program and intends to use this authorization as a means of offsetting dilution from the issuance of shares under the KSOP, the Verisk 2013 Equity Incentive Plan (the "2013 Incentive Plan"), the Verisk 2009 Equity Incentive Plan (the "2009 Incentive Plan"), and the ISO 1996 Incentive Plan (the "1996 Incentive Plan"), while providing flexibility to repurchase additional shares if warranted. This authorization has no expiration date and may be increased, reduced, suspended, or terminated at any time. Repurchased shares will be recorded as treasury stock and will be available for future issuance as part of the Repurchase Program.
During the nine months ended September 30, 2013, the Company repurchased 2,707,562 shares of common stock as part of this program at a weighted average price of $59.86 per share. The Company utilized cash from operations to fund these repurchases. As treasury stock purchases are recorded based on trade date, the Company has included $2,622 in "Accounts payable and accrued liabilities" in the accompanying condensed consolidated balance sheets for those purchases that have not settled as of September 30, 2013.
Treasury Stock
As of September 30, 2013, the Company's treasury stock consisted of 375,782,447 shares of common stock. During the nine months ended September 30, 2013, the Company reissued 3,201,080 shares of common stock from the treasury shares at a weighted average price of $4.44 per share.
Earnings Per Share ("EPS")
Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding, using the treasury stock method, if the dilutive potential common shares, including stock options, nonvested restricted stock, and nonvested deferred stock units, had been issued.

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The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator used in basic and diluted EPS:				
Net income	$ 96,441	$ 82,911	$ 261,157	$ 230,843
Denominator:				
Weighted average number of common shares used in basic EPS	168,044,100	165,978,080	168,089,919	165,587,027
Effect of dilutive shares:				
Potential common shares issuable from stock options and stock awards	4,110,453	5,682,463	4,371,041	6,050,544
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	172,154,553	171,660,543	172,460,960	