Verisk Analytics Investor Day

March 5, 2015

Eva Huston: Good morning, everyone. We are going to get started. Great, thank you, and welcome for coming to our investor day for Verisk Analytics. This is our fifth annual investor day, as some of you have noted. It's a tradition at Verisk to host it on a day where it is snowing, so we wanted to keep that going.

I am Eva Huston. I am the Treasurer and Chief Knowledge Officer. And we have a busy day for your here, so we're going to get going with that. We're going to show you a lot about our businesses, our solutions, how those deliver value to our clients.

Because really, at the end of the day, when you think about our financial performance it's all linked back to our customers and how we are able to help them run their businesses better. If you will note out in the lobby area, we have a number of solution demos. Hopefully, you have had a chance to see some of those.

Those will be open throughout the day and you can go during the breaks. We will be having some breaks and we're going to try to keep to those.

We are also going to have more time for Q&A this year, because we heard your feedback last year that that would be helpful. So after each of the presentations from the business unit leaders, we will be having some time for Q&A.

I also want to note that we know there have been some rumors in the press about Verisk Analytics. As a matter of policy, we do not comment on rumors, so we would appreciate if you could keep your questions focused on the business and the people who are here today to share the value that we have.

For those of you who need Wi-Fi, there are codes posted around the room; also in the lobby. We have also posted to our investor Web site the presentation of today in PDF form. You can download that. You can use an app on your iPad to take notes. We are trying to be green as part of our corporate social responsibility program.

And at the end of the day, we would appreciate it if you could fill it a survey that we will have at your seats and that would be really helpful to us. Last year, we got some great feedback and we really want to make this day most effective for you. So feedback would be appreciated.

Before I turn it over to Scott Stephenson, I just want to put up the forward-looking statement and Safe Harbor. I am not going to read this in detail, but so you know we may make forward-looking statements and those may or may not end up resulting in what we say.

So with that, I'm going to turn it over to Scott Stevenson, our President and CEO.

Scott Stephenson: Morning, everybody. Thank you for being here. We are very excited to talk about our Company and take your questions. So it's going to be a very full day. I look forward to all my colleagues who are going to get up and talk about the different parts of the business that they are especially responsible for.

But what I thought I would do is really just kind of, once again, sort of look at the landscape, talk about the shape of the Company that Verisk is and some of the ideas that are especially current for us right now as we look to grow our business and to perform on behalf of all of our stakeholders.

So first of all, just kind of a reminder of the nature of our business model at Verisk Analytics. There are a lot of companies in the world today that call themselves data analytics. And actually, there are multiple business models that are out there that would constitute a data analytic business. But these three collections of ideas really represent the way we do data analytics and I think are a lot of what it is that's especially distinctive about us at Verisk.

So in the upper left, we talk about the data analytic mindset. And the very first statement is one of the things that I think actually most distinguishes us at Verisk. We talk about the n+1 data set.

So we are really communicating two things there. One is proprietary data is always a source of competitive advantage in the data analytic world and we have a lot of proprietary data at Verisk and we always seek to add to our stores of proprietary data.

The plus 1 notion is we need to be anticipating the next layer of content that is going to be brought into our solutions, because if we're not anticipating those today, when they do become available, whether they are highly structured data that we have sourced ourselves or they are much more unstructured data that maybe we are accessing from this very interconnected world that we live in, if we're not anticipating that plus 1 out layer, we won't be able to catch it and use it as quickly as we would like to and therefore we will be slow. And so we need to be thinking at the plus 1 layer all the time.

Analytic differentiation is a second part of the mindset. Have to always be thinking about what is the most modern method. You probably noted that in the fourth quarter of 2014, we had some restructuring charges. And actually, the oldest business unit we have, there's absolutely nothing about that business unit but good things that are going on, but we made the determination that what we needed to do was to kind of leaven the mix of analytic method and resource that we had inside of that business – a little bit less of the old and somewhat more of the new. And that's fundamentally what we did there.

We always want to find a customer or a prospective customer in the marketplace as somebody who will come into the lab with us and help us to develop the next generation of solution. And I'll come back and talk about that, because that actually is a terribly important thing to a company like ours.

Excellence at ETL, which is extracting, transforming, and loading data. So the more that we can be in the mode of saying to our customers just give it to me any way you've got it, the more likely they are to actually give us data. Excellence at consuming and particularly visualizing data. That's almost table stakes in the data analytics world any more, but it is very important.

And lastly, the ability to demonstrate the value of your solution in use. That's one of the reasons why we are always so interested to have the product kiosks out there when you come and spend time with us, because hopefully you can see how intuitively useful what it is that we do is for our customers and we always really push on that.

So the data analytic mindset is one thing about Verisk Analytics, terribly important. The second is there in the lower left, the shape of our Company is that we serve multiple vertical markets, but we do a lot of enabling horizontally across the verticals.

And I would say that most of the companies that we compete with are either vertical – and in fact, most of them tend to be one vertical – or they tend to be very horizontal. And you get something with each of those models, but we think it is when you put them together that something really special kind of happens.

When you're in a vertical, what's going to generally tend to happen is there's at least the potential for proprietary data to grow up inside of what it is that you are doing. And I have already emphasized the importance of proprietary data.

But you are in a single vertical. You are – all of the underlying methodologies may not be quite as robust as they would be if you were in a larger sort of an environment and you are in a single vertical. So if it vertical happens to be doing well, you are going to be waxing in your results and if that vertical is under pressure, your results may be waning a little bit more.

Then there are a bunch of horizontal kinds of data analytic players. And two things about that – so if you happen to catch the right data analytic method. So this is very intelligent people with extremely large computing capacity and extremely efficient algorithms, but most of those companies tend not to be very vertical in their orientation.

So they certainly would like to engage with customers on a vertical-by-vertical basis, but in reality, they've got this very strong horizontal trunk of technology to which they attend kind of relatively small vertical market organizations, which are mostly just go-to-market sales marketing kinds of organizations and they tend not to have data.

So we are really trying to put all of that together. We believe deeply in the value of being vertically oriented, knowing our customers, and being experts in their domains. But at the same time, we think there's actually a lot of room for the horizontal enabling of what it is we do. And striking that balance we think actually gives our Company the best opportunity to grow over long periods of time.

And then in the lower right, there are two ways that we put together our data sets. One is basically kind of a priori; we would go to a marketplace and say to all the players if you all contribute your data, this is what we will be able to do for you. That's kind of how our Company got its start. That's still a wonderful way to go-to-market if you can make it happen.

The issue that you have there is that you may be some period of time between putting the idea out there and getting to where you have a critical mass of data. When you arrive with a critical mass of data, you've got something that is very powerful. But you've been sort of investing, investing, investing and now you get the benefit.

The other way of doing it is a little bit more pay-as-you-go. And that is you create a solution, your customers run their data through your solution, and in the modern world, you are almost always going to be doing that on a hosted basis. And so as their data are passing through your servers, you ask for permission to be able to hold onto the data. And we have good success at our customers saying that we can do that.

We do it both ways inside of Verisk Analytics. And actually, one of the good things that's going on inside of our business right now is that whether it's the property and casualty vertical, it's the healthcare vertical, or it's the consumer financial services vertical, we are building the data assets in both ways at the same time. And that's really both pleasing and encouraging to us.

So I talked here about kind of the shape of our business; talked a little bit about the importance of how we interact with our customers as development partners. But I want to come back to that and talk for just a couple minutes about how we see innovation, because I'm not sure that it is the way that everybody sees innovation, but it's definitely the form that works best for us. I'd like to spend a little bit of time on that.

And in order to that, maybe just take a minute of data analytics anthropology here. So what you've got here are eight companies, eight data analytic companies, three of which are a part of Verisk: AIR, Xactware and Argus. And then five other companies that are very analogous to what it is that we do at Verisk.

And what we are describing here is how long did it take for each of these companies, from their inception, to get to when they had $20 million of revenue. And that's what you've got in the middle column there. And you can see that it is at the low end 7 years, but what's normative is about, I don't know, 12 years maybe, up to 15 years.

So that's a very interesting observation to my way of thinking. One of the ways we talk about it inside of our business is there aren't really a lot of iPod opportunities in the data analytic world when you do it the way we do it. Because our customers are sophisticated risk-bearing entities.

And so we come up with a solution, they are going to evaluate it, then they're going to put it through proof-of-concept, then they will maybe trial it in one part of their business and then they'll eventually scale it up. And so there's a very deliberate process by which innovation gets rolled out and commercialized inside of a world like ours.

Now when you arrive there and then what happens after you get to, say, the $20 million benchmark is really pretty wonderful. Because when you do data analytics the way that we do, there tends to be a lot of scalability. And also once you've established your credentials with your customers, the ability to grow beyond that initial footprint that you have is very, very good.

And so actually, we've often found that once you hit this level of scale that you are getting inflection both with respect to the growth rate of the business and the margins. So you got to do a lot of work and it takes time, but when you get there, it is a really, really good sort of a thing.

Now I'll add an observation about the three companies that I know the best, which are the three at the top of this list. And one of the – a very interesting fact about all of them is that in their formation and development and up until the point when they became a part of Verisk Analytics, effectively none of them – none of the three of them took a dime of outside money. One of them took a little bit of outside money, but it was really to get alignment with a third party, but they didn't need the money in order to run the business.

So what does that tell you? You've got these businesses which never took a dime of outside money, eventually became these wonderful large businesses. There's one fact that you absolutely know for sure, given that they became something significant and they never took a dime of outside money.

And what is that? It's that they got to revenue very quickly. Because you've got expense from the first day. So there was something about the way these businesses were managed such that they were productive immediately, basically.

And that relates to the way that we see innovation happening. I think that for maybe not a few companies that are out there, the left- and the right-hand panels on this picture would almost be reversed.

In other words, a lot of the innovation that I see going on out there in the world is basically various efforts to try to commercialize some piece of intellectual property. And that's very, very important. That has a lot to do with commercial success, but it's all really powered by what's over on the left-hand side of this chart.

And the top left is so critical: finding a partner customer. So we could go about our development activities in either of two ways. We can go into the lab by ourselves and just start developing things, believing that we understand what the market wants, or we can go into the lab arm in arm with a customer who is an opinion leader inside of the market that we're serving and work on it together, basically.

And that's a world of difference, actually. And it's when we are in that mode of really understanding what our development priorities are because we are very tightly linked to a customer, that's when we do our best work. That's when the innovations come quickly, they come precisely to what is the market wants, that's when we are getting to revenue faster, that's how we can afford to do as much investing inside of our business as we do.

So we find a partner customer, we solve their problem quickly, and get to revenue quickly, and then generalize that solution and make available to the entire marketplace. And when I say find a customer, I really am saying a customer – one. As opposed to, say, 5 or 6 or 10, because put 5 or 6 or 10 people into a room and coming from very different points of view and ask them to innovate together, that gets a little tough. But if you really know where the leading edge of opinion is in the market and you can get them into the development lab with you, that is a very advantaged place to be.

Having invented things through that process, there are then a number of things that we do very routinely across everything that we do to try to get full commercial value out of our innovations. We can customize the general solution for a specific customer. We can repurpose what it is that we've got into a new solution. We can infuse new data into an existing application or we can add analytic depth to what it is that we do it.

And having done all of that, occasionally we will take the opportunity to actually re-platform the solution and its fundamentals in order to make all the data and all the analysis just that much more useful to our customers. And so you've heard a lot about, as an example, Touchstone in the catastrophe modeling category. It's exactly what Touchstone is: it's a re-platforming of all these wonderful data analytics that already existed and customers are finding a lot of additional value.

So there's a lot that goes on inside of this. There's a lot that goes on inside of this. But the emphasis that I'm trying to bring here is that if we do our work on the left the way that I have described, we're going to be much more efficient in the use of CapEx dollars and OpEx dollars in order to get the next useful solution into the market. And that has a lot to do with the rate at which we grow and that has a lot to do with the margin characteristics of our Company.

I just want to add one additional thought to all of that thinking inside of that diagram there. It's really the first point here and that is a company like ours should be a very rich blend of inductive and deductive thinking.

And what I mean by that is the deductive side of it is the part that comes very naturally, probably to everybody in the room also. And that is, here's the current state and let's extrapolate that out into the future and what does that imply and where is everything headed.

And that is good thinking. That's sort of engineering kind of thinking in a way. It's the kind of thinking that makes it that the fuel pump won't blow up. And we need all of that kind of thinking, but it has to be complemented by an inductive kind of thinking, where you start with the goal and the value and then you figure out what has to be true in order to get from here to there.

And you really – we want, should want, an innovation-rich kind of a Company – should want a good blending and mixing of the inductive and the deductive. And that is how we try to do our work.

We try to be very aspirational in understanding what it is the customers want, not just today, but into the future. And then to do all the hard work to figure out how do we get them, how do we all get from where we are today to where we want to be in the future. This is the way we think about our business.

With respect to the actual performance of our Company on behalf of our shareholders, we think that this disciplined approach to innovation is very consistent and is supportive of the discipline that we bring to the way we think about capital allocation.

You had a chance to see what we recently reported for 2014. Our rate of organic revenue growth was just around 9.5 percent and we certainly aspire to that level, or even higher. But we feel good about the different ways that our businesses have grown and will grow. 46.6 percent EBITDA margins, with a few adjustments for one-time expenses.

We were on the acquisition trail in 2014. The three that we bought, all relatively modest in size, but they do definitely fit our strategic priorities. Inovatus helps us to be more deeply analytical in the underwriting space.

Dart helps us to push out the Argus consumer financial analytics into new geographies. And Maplecroft helps us both with a set of risk factors that we haven't spent as much time on to date, which would be country and political risk. And again, also helps us to grow our global footprint.

We divested Interthinx, which was our mortgage analytics business. And at the end of the year, we engaged a $500 million accelerated share repurchase. We had been effectively earmarking some of our capital for the EagleView transaction that we were in pursuit of.

When it became clear that we couldn't come to an agreement with the FTC and broke off on that, we felt that the responsible thing to do was to make the capital available to our shareholders.

I get asked a lot about acquisitions. Acquisitions are a committed part of our strategy. We have done very well in terms of accelerating against our strategic priorities by using our capital for acquisitions over the last – well, I will market as 15 years that I've been involved with Verisk.

And this is actually a set of statements. This is a slide that we use to talk to ourselves. This is presentation to our folks. So the first thing is we have to proceed with a clear sense of our criteria.

In other words, we are not – our acquisitions are entirely about our strategy. It's not just hey, there's money lying around. Let's use it. It's how are we trying to advance the business; what do we see as our very best opportunities to do that. We have to remain strategic and what we do in M&A.

And then some truths about the nature of the opportunities that we get to see. Some of the best targets aren't specifically looking to sell themselves. And so it's really up to us to be proactive in engaging with them.

Back to what I was saying right up front, a $20 million revenue dollar data analytic business that is really deep in a vertical, very expert in what it does can be a beautiful business. And it can be a business that is actually on its way to accelerated growth and scaling margins. But they can be hard to spot from a distance.

And so it's really on us to be moving around the marketplaces that we are most interested in. And in many cases, it's actually going to be our customers who are the best source of information on vendors who are kind of emerging and making a difference in and around the same spaces that we tend to serve.

And so the way we net all of this out is everyone inside of our Company, we want all 6,500 of our people to be on the M&A team. And I really feel that's one of the primary advantages that we have as an acquirer of other businesses, just the footprint that we have in the marketplace, the marketplaces that we serve.

It's a very privileged sort of post from which to observe other like companies and what they are doing. And so we work very hard to try to enlist as many of our people as possible in the observation of what's going on inside of our world.

Couple things about what happened in 2014. And these are kind of themes that will continue into 2015 and on. We had the great pleasure of asking some of our colleagues to take on significantly larger jobs in 2014.

We established a leader for our IPAS unit, which is our industry-standard solutions over on the RA side of our business. Also named a new business leader for our environmental health and safety business. Uday came from our AIR business. Named a COO for our Verisk health business, Jordan Bazinsky, who is here today.

And we established a risk and compliance group. We were always working on issues of risk and being compliant, but we've just dialed all that up basically, because one of the ways that we earn the right to serve our customers is by being extremely responsible about how we deal with their intellectual property and just the security of our environment.

We established the Verisk Leadership Institute, where we are putting classes of folks from across the enterprise, all the different operating units, coming together to get steeped in the way that we think at Verisk and to hone their leadership skills. We are doing a lot of things to accelerate the engagement of our employees with us and feel very excited about all of that.

We've leavened the mix with some key hires from industry, mostly going in the direction of deepening our data analytics. And we are kind of dialing up our campus recruiting in light of the fact there's kind of a new degree program there that didn't used to be there five years ago. And that is a Master in Data Science or Master in Data Analytics.

It didn't really used to be out there before and it is cross disciplinary, basically. It's some computer science. It's some math. It's some statistics and it's a good profile for a company like ours.

And we are hiring people off campus with that profile, but specifically for the general management track, not only – they will probably start out as analysts in their first couple of years with us, but in reality, we are really hiring for the general management track. And we are really excited about that.

Some things we did in 2014 to step up our capabilities. And again, all of these will echo forward into 2015 and beyond. So we've got our analytic sandbox that we call the joint development environment. And essentially, that's a place where we try to relate as many of our data sets to other data sets in order to essentially create metadata that would – essentially new data that would then allow us to do new things analytically that we've never done before.

We've continued to build out our two power data centers in the east and west of the United States. You will hear some more about this a little bit later, but we have continued to really step up our ability to process imagery in a highly automated fashion and we think that that is such an exciting thing for our business going forward. Most of this work is being led by Jim Loveland and you have a chance to hear from Jim a little bit later.

As I mentioned before, we have been re-platforming a few of our solutions. Two that particularly stand out would be catastrophe modeling, where if you're going to write Harvard Business School cases about interesting things, interesting moments in the development of businesses, I would say looking at AIR, looking at the Touchstone platform and the way that the Company has done such a great job of really distinguishing itself in the cat modeling world is just a traffic development. You'll be hearing from Ming a little bit later.

And also our terrific platform for fighting fraud in claims flows in the P&C space, called ClaimSearch, is being re-platformed. 2.0 is being developed right now. You can actually see some of what is in the future for us at the kiosk outside and I encourage you to swing by and look at that.

We are looking at a broader set of risk modalities than we used to. I mentioned before country and political risk and we are excited to continue to build there. And I mentioned before, I think we are even tighter than we ever were with respect to making sure that we are managing our own risks and remaining compliant with all of the different requirements that face a data analytic company like us.

There were some nice things that happened with respect to the efficiency and productivity of our organization in 2014. And we believe that these will continue to help power our margins. Mark will talk a little bit more about this later.

But a few things – one is just in our core operations, the uptime of our technical environment actually improved in 2014 from an already good level. Something that is very important inside of a business like ours is what's called entity resolution.

So it's basically how specifically do I know that you are who I think you are, whether you're business or you are an individual or household, et cetera And we came up with some really good methods for entity resolution across our vertical markets in 2014.

I mentioned before the talent realignment in our IPAS. That's the industry-standard programs. And this is just sort of building strength on top of strength, basically. This is the industry's tried-and-true way of managing product and managing regulation, but we see opportunities to actually up-skill the teams so that we can essentially take advantage of newer and different forms of data.

We are more digitally engaged with our customers than we used to be; their ability to source our products and sort of work their way through our products, slice and dice our content, get only what it is that they need and want has become better. And one of the important marches in 2014 was to work hard on the efficiency and effectiveness of both our retrieval and coding activities inside of the RQI part of Verisk Health and we've made nice gains there.

So just wanted to conclude by pointing you in a couple of ways at the Verisk Way. This is really our coda. These are the ideas that we really run on around Verisk. And by the way, this is a public Web site. You all can get at this. It's also – you can find it on the landing page of verisk.com. But this is verisk.com/veriskway, so if you would like to know a little bit more about how we think, you can spend a couple minutes here.

So there are really six sides to the Verisk Way. We talk about our vision. I will just mention there that what we want to be is the world's most effective and responsible data analytics company in pursuit of our customers' most strategic opportunities.

The word responsible is really important. We could talk about that a long time. But we intend to be highly responsible in the way that we do work and that does mean both ethical and operationally effective.

I actually think that one of the reasons why customers will choose to work with us or not in the future is how responsible are we. How responsible are we with their data sets. Do we protect their data? Do we use it in a way or ways that they intend, but not in the ways that they would prefer that we didn't. This will be very – I think this will be a criterion that our customers will use as they choose to do business with us or with our competition in the future.

We talk about our purpose. We talk about the nature of the work we do, which is serve, add value, and innovate. Essentially, we are saying to our people on any day when you are at work, do at least one of these three things, if not all three of them. Some people are more focused on one or the other. Some people get to do all three.

We talk about our values. And some of them are very bespoked at Verisk, like persistence. It goes back to what I was saying about innovation. Our products are sold; they are not marketed. And so we have to show up time and time and time again and work through a long adoption cycle.

If we are not persistent, we could just fall out of that process at any given point. And so we really need to persevere and we believe that that is an important quality for our people to have.

And then the last two I just wanted to open those panels real quick. So wanted to show you this. You should read this in two ways. So this is the way we are trying to lead the market, but it's also the qualities that we want among our leaders inside of the Company.

So one way of thinking about this is this is what we promote to. People that have these qualities in ever greater quantity are the people that are going to have bigger and bigger jobs around Verisk.

And all I really wanted to say here was the first two statements, not accidentally, are about our customers, that what we do is all about their success. And again, that very, very critical point about our product innovation being customer-centric.

It's not hey, let's throw $50 million at it and hope it works. It's much more – we all must know that they are waiting to buy it as soon as we can get it out of the development shop. So this is how we think about – how we think about leadership.

And then the very last point down here at the distinctives, these are the four things that we are always trying to build into our businesses as the qualities that really make us distinctive. And you've heard me speak on some of these just a few minutes ago.

But unique proprietary data assets are always a source of advantage. Deep domain expertise is very, very important. And again, in the world of data analytics, some companies go very deep with respect to individual domains or verticals. Some not so much. We really believe in it. We think it's very important.

The third is first mover advantage. Basically if you are doing analysis, if you have done more analysis than the other guy, than your algorithm is probably more trained than theirs. The market will also probably believe that your algorithm is better.

And lastly being embedded in customers' workflows. That's where stickiness comes from. It's also where relevance for the customers come from. The more we are automatically presenting content into the flow of their own work, the more they are likely to find it valuable.

So these are the four things that, with any of our solutions, with any of our operating units, we are essentially asking how much of this do we have today and can we get more of it in the future. This is really the essence of what we think makes us different and what we are working on.

So that's just a little bit about the Company over all. We are going to now dive very deeply into the different parts of the business.

So again, thanks for being here. I will be up towards the end of the day to take your questions and your comments. And again, thanks for being here. Appreciate it.

So up now is Mark Anquillare, who is going to talk about our property and casualty businesses. Thanks very much.

Mark Anquillare: Thanks for being here. We appreciate your time. I'm going to try to give you an overview of the insurance solutions. What we're trying to do across our insurance business units, across all of our products is we want to help our customers solve their problems. We want to make sure that they improve their businesses and their bottom line. And what we want to do as a group is we want to be cohesive, seamless, and comprehensive.

So if I was to look back over time, we have had some nice growth: 8.6 percent annually over this time frame from 2005. The beauty of the business is it is predictable, highly visible, and in large part, customers prepay us a quarter or a full year in advance on the 83 percent, which is subscription.

At the same time, the industry as a whole has grown at about 1.8 percent and through some pretty rocky times. 2008, 2009, we sometimes say it's the worst period in P&C insurance since the Great Depression. You can almost make the argument that it was worse than the Great Depression.

So I think what this demonstrates is we provide value and we have solutions that do help (technical difficulty) customers. Let's spend a little bit of time – about $507 billion in the United States, slightly more commercial than personal; that's including workers comp and financial guaranty and the like.

The very big component of the P&L of a very large insurer is the claims. So as you think about claims and claims adjustment expense, about $380 billion is basically the cost of goods sold. A very big and very important component, as you think about and you're managing your bottom line inside of P&C insurance.

And what we do is we help customers focus on both that premium in the top line as well as the claims and those administrative costs to help their bottom line.

So what's on the mind of these insurers? One, it is so difficult to profitably grow your business. You start to grow. Typically, in the first couple years, it is unprofitable. So that, combined with the influx of capital, big competition – it's tough to get price increases from a premium perspective. On top of that, the economy is not growing all that quickly, so the economic exposures or the exposure to the insurer is pretty modest as well.

So the way they need to grow, the way they become pro-profitable is to understand their business through analysis – through analytics. Retention, segmentation, better claims paying: all of those are very key. And at same time, what they're trying to do is automate. They're trying to flow the business.

So to the extent that you think about going online to get a quote for personal automobile or insurance, all of that is automated in a way that takes some of the work out of the hands of people and into this automated process base. And that's important, too, as you think about the P&C industry as a whole.

So there is a talent drain. It's tough to get people into the industry. They are losing a lot of talent. There's a lot of retirements. So this is also an element of how they compete into the future.

So what I'm going to focus on today is you see the solutions. And they're broad – you're going to really be impressed. I hope you have seen them on our kiosks. But we will focus on property insurers.

So property insurance, both homeowners and commercial property, it is a big component of this. $83 billion. It's a premium side of homeowners; $55 billion is on the commercial property side of things.

And as some of the bigger personal automobile writers start to look for ways to grow, they don't see a lot of opportunity in the auto lines. And they are starting to look at homeowners. And they've also started to become a little more analytic around it. It has become more profitable over the last couple years.

And they are focused on weather. They are focused on catastrophes. They are investing behind ways they can flow this business, what third-party data they can use to improve their decision-making, and they are investing in technology.

So homeowners and commercial property – big component. And we will spend some time with that today to kind of help you understand.

So it's go back to the beginning. 1990s – 1900s, excuse me. A lot of state bureaus around the country helping insurers understand a building out in Chicago. The regulation in United States is very complex and very much (eight)-oriented.

So it's focused on whether the consumer is getting the right price for insurance. So they're aggregating information about premiums and losses. All of that came together as Insurance Services Office in 1971, this information utility with all this information and all the data was the start of Verisk.

And we grew from there. Expanding beyond those roots into claims, both from a fraud fighting perspective and repair cost estimating, catastrophe models. And as we went public in 2009, we used and benefited from that brand and created Verisk Insurance Solutions. That banner on top of some of the very impressive and well-known logos that are down below.

And more recently, because we realized we had a lot of solutions that were focused primarily on personalized underwriters, we brought those together to help our customers and we set up Verisk Underwriting Solutions in 2012.

What we're trying to do is offer comprehensive solutions across the insurance value chain. So the bottom of the screen here from the standpoint of product development and management; you're trying to understand what you want to write, where you want to write, and who you were going to go after to the actual analysis around how you going to price it, what's the actuarial fundamentals around it. How do you pick a risk in underwriting? How do you really understand it?

And ultimately, the claim comes through. How do you manage that claim onto compliance? Heavy regulation, a lot of filings required, and continue down the path. You have this huge portfolio. How do you understand the risk you have undertaken, how do you risk manage that, and how do you transfer risk if you think it is too much.

What I have listed here are all of the, for the most part, logos and brands. The ones you are most familiar with are ISO, AIR Worldwide, Xactware under this Verisk Insurance Solutions banner.

We have hundreds of products. I can sit up here and if we wanted to get into details, we have hundreds of products. What we tried to show is where these product areas most naturally focus. Just remember: long-standing customers, deeply embedded, making a difference.

Let's spend a little time showing you how we help our customers along this value chain. So from an actuarial perspective, industry-standard programs. The ISO logo here. From that information utility I described that started in 1900s, we currently have 18 billion records – premiums, losses – across 28 lines of insurance and 3 billion bits of information and records come in each year.

From that, what we are doing is we're taking a look at the classes of risk and helping our customers understand what the cost of goods sold is around that class of risk. And we will talk a little bit more about that.

Rules – based upon these classifications of risk well, how do you price it? What special coverage and what endorsements; what's the actual rules that you're going to use to price out that coverage and ultimately the insurance contract.

You go home, you look at your homeowner's insurance policy, you are going to see core-tested, time-tested language. When you go out and get a price, you could feel confident when you get two prices, you are going to get the same coverage from the two different insurers, because we are providing that IP, that language behind the scenes.

Our logo is supposed to be on every page. You are probably going to find it on the last page, but we feel that across all lines of insurance, we are probably in about 200 million policies, both personal and commercial lines across the United States.

And finally, if you think about efficiency, we do it once on behalf of an industry. We look across all of the rules, the regulations, the case law, the legislation, and we make over 3,000 filings annually to stay on top of that. So that you as an insurer can be in business tomorrow with the Verisk ISO solution and that your speed to market is incredibly quick.

So once again, with a focus on homeowners. Let's spend a few minutes. A policy that you have for homeowners is a multi-peril policy. So you are being covered for fire, for any type of wind, for hail, water damage. And understanding those perils – those are perils – and understanding the cost of each is very important.

Along with the building characteristics – what is the house made of? What characteristics of the building, because it differs quite dramatically. What we add and what we lend to this mix is one, we talked about the policy language.

We have the loss clause, so you understand the actuarial fundamentals. Rates are developed through the classification and rules. And finally, all of the by-peril information, so you understand how to really price this.

So let's use an example of where an insurer and many insurers were able to actually grow profitably. One of the true industry challenges. So in 2007, we came out with by-peril rating. So we – instead of taking all of what is in a territory, based upon basically the cost to replace a house and bundling it together, we said let's look at it by-peril. What's it going to cost for the various fire, wind, water.

And here, the first 25 insurers that came to market and adopted by-peril ratings. This is a first mover advantage here. One, grew their book by six points and at the same time over the time frame, improved their loss ratio by four points. Pretty impressive and certainly breaks conventional wisdom.

At the same time, there's ways to grow. Where we have typically looked at territories, which are kind of an amalgamation of all the ZIP Codes, about 650 have traditionally been rated in the insurance industry from a homeowner's perspective, we've gotten down to census block level: 225,000 different territories.

So now if you don't want to write in a region, you can actually be very selective and grow by bucking the risk. That is a two-year risk appetite in one of these more narrow, more finely segmented areas.

Let's use the example. Homeowners. Two houses. And in the traditional sense, without looking at property characteristics, without doing much more than kind of the old looking at the manual, you have a couple things that are important.

Same territory – they are right next to each other – and the insurance devalue, which is the replacement cost. If your house was to have a complete loss, that $300,000 represents the cost to replace it.

Now this is not a market value, to be clear. If you have this same house and it was on the coast of California, the market value is going to be considerably higher. This is what it's going to do to replace it. Typically, the foundation is going to have to be repaired.

Two different houses and based upon the standard loss cost. What's the average claim that is going to be in year. It's about $770. So just to give you the math – if I'm an insurer and I am trying to figure out what your rate is on your homeowners' policy, you take the $770, plus you add some expense ratio, plus you add some profit. Average homeowner policy is about $1,000, just to give you a flavor.

But now look at the differentiation between this. On the left, multiple stories typically have higher water losses. Plus there's more bathrooms on the left: more to water losses. It's good news that there is an attached garage and brick is a good thing. On the right: bigger footprint. And you can't see it here, but there's a pool.

So now you know a little bit more about the property and you are starting to think about this from A, a by-peril perspective; and B, from the property characteristics. And the difference between the house on the left versus the house on the right is about $160. It is going to cost you more to insure the house on the left than the right.

Just to give you a feel – inside of an insurer book, $160 times a lot a lot of homes is the difference between a very good year and losing money. And that's what we help them understand and price.

Let's jump into underwriting. So we understand the actuarial side of it. Now we're going to work, walk, and talk about underwriting. We have some very neat data sets; comprehensive suites.

How do they know I submitted several claims over the last couple years through various insurers? Well, that's us. How do they know I've been jumping from insurer to insurer? That's us. The replacement costs – what does it cost to replace that home? We have that tool.

Buyer protection: very important. What is the fire suppression capability of the community? Because it really makes a difference. Is there fire hydrants? Is there enough water pressure? How good is that fire department? All of that is done inside of Verisk.

And property characteristics. So to the extent that you think about the year built, living area, roof, all of that type of stuff. What we do is we make it efficient, we make it easy, we make it cost effective, and we analyze about 10 million requests each month like this.

So let's use an example. There is the case study. So here's an insurer – I was talking a little bit before about public protection grading, a very important element. But we provide a lot of information.

So you have some rules around underwriting. The replacement cost estimate is about $430,000. You may want to get another or you may want to get an actual underwriter to look at that as opposed to just process it from an automated basis.

Distance to coast – well, it's a little bit close. We should check to make sure how this relates to our cat exposure. Let's take a look at that. And as you move down here, including things like crime and sinkhole, public protection, which is deeply baked into all of these carriers in the way they think, is basically our score, so 1 to 10. One is good; 10 is bad.

As a matter of fact, there's so much pride, there's a lot of fire trucks you may see around your neighborhood every once in a while, where it says ISO/PPC Number 1, because they are the best in our mind across America. But that's an important component of whether that community can suppress fire at your home.

So what we have done over the years using our PPC score, as an example, and this analysis says that the before versus after, there was about $900 of premium leakage. People were not charging enough. And we feel there's another $100 million out there that people can actually improve or increase the rates relative to the risk they are they are underwriting. They are going to lose money if they don't do that.

Let's move from what is homeowners to property side of commercial. Another unique dataset: 3.5 million buildings. All of the property characteristics along with this team does the 47,000 reviews of the fire protection, the capabilities of all of these fire districts to suppress fire. That's the PPC.

What we are focused on here is cope information. Construction. What is it made of? Occupancy. Who is in it? Much different if you have some paper and some computers versus if you are building some fireworks downstairs.

Protections. Are there sprinklers? What they are about. Can the community suppress fire? What is around it? Good to see there's a fire hydrant out front, but if there's not enough water and push water up to about the fifth floor, we are all not feeling quite as good about this building right now. All of that factors in as we think about underwriting of big commercial properties.

So here is an analysis. 250,000 buildings. Once again, property characteristics are key: what is the building made of, what is it like. So in our review, in our analysis of this case study, construction class. What is it made of. It was wrong in 30 percent of the cases.

Year built – compliance along different time frames is very important. It became more stringent over time. So your builds is important. 20 percent of the time, wrong. Didn't have sprinklers? That seems easy. Are they working? About one-third of the time, they got that right – wrong, excuse me. And finally, public protection as we've described it.

But in this example of these 250,000 buildings, 20 percent of the risks were underpriced. That is referred to as premium leakage. Maybe equally as troubling is 14 percent of the risks were overpriced.

There's two bits of information in there. One, real good risks are going to walk if they are overpriced. Risks that are overpriced that aren't walking probably have some bad elements to it or there's some information that's inappropriate.

Unfortunately, those people who don't review and aren't disciplined around it eat risks that aren't so good. Kind of an old commercial, for those of you who remember – used to be Life Cereal and used to be little Mikey, who would eat anything. And honestly, that's a part of what happens in these cases: those people who don't have the underwriting rigor eat risks that are just not going to be good.

Being fast, being effective doesn't always win in the end. But doing this right is probably about $1.3 billion of more premium to the industry and to those (carrying it).

So moving across the value chain. I'm now getting into claims. Claims happens. Behind the scenes, it is auto-assigned to an adjuster by the Xactware tool. From there, the contractor shows up.

Audio-visual representation of the room is created: 2 x 4, 2 x 4, nail by nail – 100 million price points pulled. And estimates created. The power of the Xactware solution is the network effect that is shared with the insurer, that is shared with the independent adjuster. It is shared with the claims department.

The resolution and the adjudication of that claim in 85 percent of all U.S. households in the United States is handled through Xactware – more efficiently, more effectively, happier customers, and they are saving money.

So an average homeowner's claim is about $8,200. And what we have found is using the tool and the accuracy and the speed, two things happen. On the claims side, the claim settlement costs, we save about $330 per claim on the indemnity side of things.

At the same time, the administration lost adjustment expense around handling the claim because of the efficiency of the tool is down 81 percent. That's a smaller piece inside of the $8,200, but noteworthy. What we have seen is equally good prospects and opportunities inside of our international opportunity. So making great progress.

U.K. insurer here. Implemented the solution. They have saved 34 days from the time of the first notification of loss to the time the check is out the door. So from 39 days to 5 days.

One, think about customer service. Two, think about the efficiency inside their own team. And they have suggested that they have saved $1.5 million – those are dollars – in the first six months.

Equally interesting, big win in Belgium. Implemented our solution. Big win. What they have then done and gotten us more deeply embedded in their claims solution is they've augmented the solution to provide other input.

So just like we talked about the adjuster and the network effect, here, in Belgium, they have others, like doctors and lawyers contributing information to the claim and insight. So good news, good progress, good efficiency.

At the same time when we think about claims, fraud is a very big problem in the P&C age. A lot of different estimates out there; $30 billion is probably on the low end. We like to use that conservative one. I have seen things as high as $50 billion, $60 billion, $80 billion.

But ClaimSearch is that industry standard to solve that problem. We have 1 billion claims. And what we are trying to do is speed payment of those meritorious claims, while taking a look at the ones that are more questionable. Advanced analytics, which drives precision.

Every year, about 70 million claims come in. We have geospatial looks at things. What does the area look like relative to the claim. Think about it from a claim of damage perspective. And some innovative fraud detection. And we have a good overview of that in the kiosk out there.

Just by way of background, there's about 1.9 billion, almost 2 billion claims that are homeowners-related each year, but here is the industry challenge. It's called hail. There a lot more severe weather out there, clearly. But there's a lot more going on.

So from 2010 to 2012, the number of claims related to hail increased 84 percent. And from the time frame 2000 to 2013, $54 billion worth of hail claims. What's even more challenging is if I looked at the period, more recent period, 2008 to 2013, less than half the time, 70 percent of those claims are from the more recent period and the severity is 65 percent more in this more recent period.

So if I was to think about the two elements of actuarial math, severity and frequency, both are accelerating with regard to claims. At the same time, severe weather is up, no doubt.

But there's some calming fraud scenarios that are computing. You have the ball peen hammer. All of a sudden, you have a new roof. The storm chaser. Hey, there was a weather event last night. I can fix up your roof; insurer take care of it. Happens more than you (frequent). Public adjusts for scams.

Property in foreclosure, which we have a tool that we are attacking that, actually, inside of the Xactware suite. Happens more frequently than not. And prior claim – people get paid, they submit the claim again to try to get paid again without doing the work to refurbish.

So what are we doing to try to solve and attack this problem? Once again, we have this enormous database; almost all claims in the industry coming our way. And what we are trying to do is reduce the triage time to figure out what is going on at the first notice of loss. Meritorious claims, moving quickly, validating the asset, helping the adjuster, faster resolution.

I think we even go faster to the extent then on the right side of this grid. But on the left-hand side, we actually are providing weather reports relative to where the event took place. We are facilitating the discovery period around the contractors involved. Who is doing the work?

And hard to believe, but 15 percent of all hail claims have no evidence of hail activity at the time they are reported. Now that does not mean all of that is fraudulent; it is just sometimes, people have bad dates or forget the dates, but it is just evidence of other things that are going on inside the industry.

So now you have a very big book of business. You are paying your claims efficiently, but you have this big portfolio and the tool you need to manage that effectively is AIR Worldwide.

You are understanding catastrophes, all perils in 90 countries. We have models for 85 percent of insured losses across the world and the tools so powerful to understand the ultimate and total exposure as well as the marginal impact of new business.

And here is an example. And this is Touchstone maybe at its powerful best. A very large example of a commercial book. 300,000 locations; the total insured value is $200 billion. That's very big.

One – you get this visual – I think we are able to show that at the kiosk. You can see where those risks are, where those exposures are from a visual perspective, but you can run this analysis that used to take many, many hours for us in the past and our competitors. Now we can do it in three hours.

And maybe more importantly, let's use the columns to the right. You are probably familiar with the rating agencies. If you are an insurer and you go to the rating agencies, they want to know and they want to see what would happen if the worst events that took place in one of the worst years in the last 100 years, what happens, how does it affect your book. That's the 100-year columns over there to the right.

Our competitors are typically focused on hurricane and earthquake, so they are typically focused on the orange bar. But with Touchstone, with our superior models, you are looking at U.S. flood, you are looking at windstorm, you're looking at a lot more perils than just earthquake and hurricane. So we are doing it faster. We are doing it more accurately and we're doing it more comprehensively.

I think the power is that we have taken all of that cat-type risk and those cat models and extended it now in Touchstone to bring in and extend to what we refer to as the non-cat risk, all of the ISO-type loss costs: fire, vandalism, lightning, all the perils we were – excuse me, all the exposure we were talking about earlier under the banner that is Touchstone.

That's the power of Verisk Insurance Solutions. So there is a comprehensive view of the portfolio and a way to understand the impact of any marginal economics and marginal properties that you want to know to the right.

I think I've highlighted many of these features as we progress through, but the distinctives that Scott highlighted earlier are clearly a focus of and have been a foundation of Verisk Insurance Solution over the years: very unique data, differentiated models, first-mover advantage, and we have a wonderful position deeply embedded into our customer workflow.

To the extent we want to come up with a new solution, we are well positioned to do that. And to the extent you think about competitors, clearly there's some competitors, as you notice down on the right-hand side. But no one competitor has the scope, breadth, and depth of solutions that we have across the board. We think we have the unique position and we are ready and able and I think we have some great opportunities in front of us.

So as we think about kind of the areas of focus, industry-wide focus, we can do more as Verisk Insurance Solutions to kind of provide a comprehensive suite of solutions to our customers and we each year get better at that.

Let me highlight a few things that I think are important. We've always talked about predictive models and pricing models. Risk Analyzer, which is that solution, has performed extremely well and we are making some real difference for our customers there.

The other place I think we will make progress and help the industry is you've already seen how personal automobile has kind of been reincarnated inside of your online flow. You give somebody 15 minutes.

We believe that that is where commercial is going to go. Small commercial policies will be doing the same thing. And it is much more difficult to get that commercial data. We are uniquely positioned to provide the industry the commercial flow data.

And this is not just about data, but it is all of the things we were talking about earlier. It's about the scored analytic to understand if there is any potential uncertainty around the data or there's any premium fraud or any leakage profitabilities in there. We can make a difference inside a small commercial and underwriting that is flow business, automating it for the talent drain and the way the insurance industry wants to do that in a more automated fashion.

New solutions; remote imagery. We have access to some very unique satellite imagery. We've started to populate and we have the entire United States from the standpoint of aerial imagery.

Our own set of aerial images are strong in the way we did the analytics. They account for a nice chunk of what would be claims-related losses within U.S. properties. We have third parties who are aggregating additional information, so we have coverage throughout the entire United States.

We are looking for greater and finer resolution, because we have some very unique technology that extracts data from those aerial images and we believe that that is going to change the way claims are adjudicated and the way risks are underwritten in the United States. And I'm sure there will be some questions later on and Jim Loveland will be up here to maybe take that on. But we are very excited about that opportunity.

Other place I will highlight is medical fraud analytics. We have taken some of the fraud-fighting capabilities around providers in the healthcare space – Nadine will be up here later on to tell you what happens and what has been great inside of healthcare.

And we have taken that into some of the bodily injury claims in the P&C insurance industry. Logical convergence between health and medical outcomes in both healthcare as well as P&C insurance and we are going to make a difference for our P&C customers.

On the right-hand side – obviously we are trying to extend where we operate and inside what customer since we operate. But we feel that international is a very big opportunity. We think it with claims; highlighted a few things with Xactware.

Obviously AIR is worldwide already, very global in its approach. But whether it is claims search-type solutions or actuarial type of solutions, we feel international is a very robust and big opportunity for us. And we should be able to continue to add to where our banner is across the spectrum, not just in the United States, but internationally.

So here we are, an example of a homeowner – this is illustrative – of a homeowner's P&L. This is a insurer, rather large homeowner writer. And the way we interact with them is across a lot of different areas of this P&L.

First of all, from a premium perspective, getting the premium right; from an actuarial perspective, making sure there is no premium leakage. If there is, you need to charge it more. That helps the top line.

As you move down into claims and claims adjustment expenses, think about Xactware, the power there of being more efficient, reducing potential indemnity costs, saving and solving some of the forward problems that are out there. And as you get into general and administrative, the industry standard programs are due at once on behalf of many, it saves money, it saves time, it brings you to market quicker.

Of course, commercial properties. You can send people out to go look or you can use our database. It's all analytically focused on giving you a score to figure out what the risk is around that property. And finally, think about the efficiency of what is Xactware behind the scenes.

So helping the insurer's bottom line while at the same time, using the AIR tools to have a view of prudent level of risk and retention. Having visibility into the risk-reward trade-offs of that bottom line is the comprehensive solution. And what we are doing, because we make you quicker, we are helping our customers improve their relationships with their customers, the insured.

We have talked about this, I think, many, many times. We believe deeply that expertise and knowledge inside the industry is hugely important. You need to understand the problem before you can solve the problem.

So with that in mind, as I bring to the stage for some Q&A, over 158 years of combined industry expertise, so that we can share with you a little bit more about our solutions. So the team will come on up. Happy to take some questions.

Audience Member: The one thing I want to understand was you obviously highlighted a lot of growth opportunities. But just trying to understand how you guys size the total addressable market.

It seems like in a lot of the areas, you are already in your dominance there. How you size that? And somewhat related, how do you split your exposure between personal and commercial lines and where that should head (probably)?

Mark Anquillare: So let me start and then maybe, as an example, I think Jim Loveland, with aerial imagery, as an example, maybe has a view of how we strive to use some of it on a specific product.

So first of all, I think what we try to do is A, we have a very good insight into the market. And we think we understand at least what the price points are with a lot of the solutions. So we know the number of customers. We know what the price points are relative to – typically premium of the carriers, so large, small, medium.

And then from a penetration perspective, I think we try to be realistic about what that penetration is. We have a view of U.S. and we then can go more international.

So I think your second question, before I turn it over to Jim is, I don't think we have typically been restrained with regard to capital. And I don't mean that in a – I think we are very disciplined about what the business case is going to look like. We want to understand the addressable market. We went to understand how quickly we are going to penetrate it.

I think we have a view that if it's going to create shareholder returns from a cash flow perspective, we're willing to absorb some near-term margin erosion because it's the right economic decision.

So all of those factor into where we go (technical difficulty) and I think that discipline, both as we introduce or sell into the project in a thoughtful way, as Scott described earlier. We have development partners. But at the same time, as we move forward we are typically getting together regularly, at least quarterly, and we talk about this.

Do you want to talk a little bit about maybe aerial imagery and some of the market things that you have done?

Jim Loveland: Sure. Yes, no, I would be happy to. In fact, this really goes to the point that Scott made earlier, especially when he talked about the Verisk Way.

If you remember, the leadership qualities and some of the bullet points that he put up there in his slide presentation, if you look at a couple of things. One is that we are very, very intimate and very close with our customers. And two is that we also look for ways and opportunities to reimagine the market space.

So Xactware, it's a great example of this. We obviously have had a tremendous amount of success in the claims space in terms of providing tools for that claims process, whether it's a structural claim or a contents claim.

And we've had some unique opportunities over the last several years to really drive into more specific customer needs, especially as it pertains to the aerial imagery space. So we've created a very unique set of opportunities and tools, new product solutions that we've announced and released, specifically roof insight and property insight. And we've been developing that now for over three years.

And it's a good example of imagining the market space and creating new solutions for our customers as we work very closely with them, step in step, on their needs, especially when they are coming to evaluating different structures and properties.

And this is a great example and a great opportunity for us collectively across (Paris), because the imagery solutions that we create have such a tremendous amount of applicability for all of the different Verisk businesses as well as our own customers, who are looking at it from an underwriting standpoint, a claim standpoint, and even from a financial services standpoint, as they oftentimes provide banking solutions and other banking services into the industry.

And so it's just a great example of how we are able to reimagine the market space and continue step in step with our customers through our partnerships in creating solutions and new opportunities for the business.

Audience Member: And just one quick follow-up. In terms of the international expansion, right now the data that is running, I guess, that the tools tell you internationally, is that data that you have been gathering or are you just sort of selling your analytics to them? Just trying to understand that.

Jim Loveland: Great question. So I as understand it, you are asking specifically about the international data points and how we are going about aggregating or creating international data points. So it's a great point.

As we have grown and expanded internationally, it gives us opportunities. I will give you a specific example. Again in the claim space, pricing data. Our claims tool specifically exactimate and exact contents as driven by structural pricing information as well as personal property pricing information.

And what happens is as we enter into new international markets, we are given the opportunity to work very closely with customers, to be able to drive those data points. And when we first kick it off, oftentimes customers will actually turn to us because of the tremendous amount of trust that they have with us and just give us their own data to kick start that process.

And then after they do that, our teams engage very actively and begin doing their own research and their own analysis. And then we begin to create international data sets for given countries and industries as we go about expanding our global footprint across Verisk.

And so as we do in many different examples across the Verisk entity, we are looking for opportunities to work with customers to aggregate data sets and then begin producing our own unique solutions based upon our own research and our own data analysis.

Mark Anquillare: And Ming, obviously AIR is in 90 countries. If you want to model a month, maybe kind of share your experiences there, if you would.

Ming Lee: Sure. The business model is a little bit different than what Jim was just referring to. In our case, we are actually developing earthquake, tropical cyclone, cyclone, hurricane, hail models, flood models, tsunami models, et cetera, in all countries essentially where their insurance is written.

So currently, we have models that cover about 90 countries. The nature of the data there is really the hazard information and the scientific information that our scientists and our engineers study and develop for all those countries.

The vulnerability aspects relate to losses they would actually experience in those countries, so we work with our clients to understand the loss experiences that they have had and that accumulates into our expertise and experience in working with the loss information in those countries, which then is used for calibration and validation of the model. So that data is in part developed in the scientific realm and then in part developed with our industry partners and our clients.

Audience Member: What is your perspective on why it takes so long to get to that $20 million revenue threshold, but to get to first dollar revenue so quickly. And I say that because you gave an example about the positive financial impact from being a first mover and I would think the late adopters would be stuck with the adverse selection.

And then as a second part of that, Scott put forth the argument that these businesses were self-funding because they got the first dollar revenue quickly. But I think some may have argued that if you would have taken – or if some of those businesses would have taken outside capital and underwritten some losses, they could have accelerated their revenue a lot more quickly. So why would that argument be wrong?

Mark Anquillare: Bill, let me do this and maybe I will turn it over to Rich to maybe just – developing an industry-standard database takes a lot of time. So I think part of the conversation is what analysis can I do on the data I have. Then it takes a while to actually get to the point where you are at the tipping point.

And your point is very valid. Once you get that tipping point, those who don't use it, it's kind of like a race to the bottom, otherwise there's a problem. Rich, inside of claims search, maybe trying to go to a country and think about aggregating information, just maybe take a little bit about the process and …

Rich Della Rocca: Sure. Thanks, Mark. I guess in developing, particularly when you're talking about an industry consortium, an industry-wide database, you need to get to critical mass before you really are generating significant value for the participants in that process. It does take time and as much as our customers in the P&C market accept risk, they are often very risk-averse and they are very deliberate in their evaluation.

And as Scott talked about earlier, we don't just show up with a contract and make a sale. There's a very long period of time and a process of proof-of-concept and evaluation and trial and (technical difficulty) in certain geographies. They really to make sure that it works for them.

In many cases, these solutions require workflow changes and infrastructure changes and IT changes within their organizations. So it's often not a plug-and-play, where you just come in and have a shrink-wrapped piece of software that you leave on their desk and leave it. There is usually a quite lengthy implementation period.

And then there's – sometimes it takes a while for the effects of the solution to see the results of that. On the actuarial side, we look at losses and we look at trends over a multiyear period, so you sometimes – sometimes you see the effects right away, but sometimes takes quite a while for the effects to become evident or really quantifiable and statistically significant.

Bill Warmington: Good morning. Bill Warmington from Wells Fargo. So a couple of questions. First on the Touchstone re-platforming. Just wanted to ask about customer adoption there and what kind of revenue lift you are seeing.

And then the second question on the international homeowners opportunity, if you could talk a little bit about what characteristics the early adopters of that have, in terms of the customers. And also why they are looking at this now.

Ming Lee: (inaudible) Touchstone. Touchstone was released in 2013, our newest generation software platform for catastrophe modeling. At this point in time, virtually all of our clients who had done a detailed modeling on the legacy platform have migrated onto Touchstone.

That number exceeds 100 companies, including the largest insurers and reinsurers as well as brokers globally. So the adoption of that has been universal. It has been very pleasing to us. We feel (technical difficulty) successful.

You have a question regarding revenues on that. And unfortunately, I don't think I can really speak about that. You asked another question – I think this one really for many of us, with respect to the international growth there.

And on that front, many of our clients are global companies who write business across, really, the developed world, wherever there is insurance. So the adoption of Touchstone really is – it's just a vehicle for them to use the models in Asia or Europe or South America that they had been using before, so it's a new software platform for that. So the adoption is kind of instantaneous in terms of its applicability across outside the United States.

Audience Member: I know a couple of other companies that provide services to the insurance vertical in the B&B space. I have been thinking about leveraging that data to help the consumer out and understanding how they can be thinking about risk and purchasing the insurance.

Have you ever looked at your potential ability to serve as the consumer and could you tell how attractive or unattractive that may be?

Mark Anquillare: Sure. So the question is about our information and how potentially it can benefit the consumer. So I'm going to turn it over to Neil, but I think one of the things that Scott highlighted earlier – we are very protective. We feel we are stewards of our customers' data. So how we use it and how explicit we use it is – we're very sensitive to that. So if you want maybe share a few …

Neil Spector: Sure. So I guess what I would say there is certainly we have thought about it. So we have several ideas that we've drawn up around how we can serve the consumer needs. I think to Mark's point, some of the data sets we've had, it would be inappropriate to use that data in that marketplace. So we stay clear of that.

Although we have other proprietary data that we have, where we don't have those types of (technical difficulty). And I think for us it's a combination of not being a known consumer company or brand.

We would probably want to look for the right distribution opportunities if we were to go to the consumer market. So that they would be a cost-effective channel for us. And we would probably look to see what other assets are out there that would be complementary to ours in a way that would serve a consumer.

So I guess what I would say there is we do have a lot of ideas drawn up, but we don't have any product that we've gone to market yet. The other thing I would say is some of our data today does come from consumers.

So Mark talked in his presentation about things like prior losses. And we do have FCRA-compliant databases, where consumers will call us to actually get copies of their reports so that they can make sure that that data is accurate. And if the data is not accurate, we actually advocate on behalf of the consumer to go back to the insurers to ensure the quality of that data. So some of our solutions, they do touch consumers.

Jim Loveland: We feel very good about that role we play in helping the world at large. So maybe we should talk a little bit about PPC and a little bit about fire departments and the like, maybe?

Bill Raichle: Sure. Our schedule is used to grade practically every fire department in the United States. And we have a very unique business model around doing that. It's kind of a unique exchange of values.

We will grade the department. This typically takes a day or two. We provide that department with a very detailed report – 20, 30 page report – that reviews their grading. We grade them on the extent to which the fire department itself has the proper equipment, proper manpower, training, et cetera

We take a look at the water infrastructure within the community – whether it is hydrants or hauled water. And we take a look at the communications response within the area or how long does it really take from the time I pick up the phone and say hey, I've got a fire until somebody can actually respond.

And all that is presented back in a very structured format. We grade – we've graded New York City. We grade Podunk, Iowa. It's all the same. We provide the same type of information back to them. Information is collected the same way.

And they use that information to sit down at budget time with the community leaders. They are going head-to-head with the cops and the librarians and they're trying to get their share.

But what they can do is that they have a format instructor who request funds for specific items that will improve their grade. And the grade actually affects insurance premium, both on homeowners and the commercial properties.

And while that's an exchange of value, they allow us to collect all the information. There is no exchange of money at that point in time. We don't pay them for the information and we don't sell them anything, but we get the money back from the insurance companies when we sell the grades.

And so all of the information that I collect and geographic data about the boundary lines of the fire stations and the locations of the hydrants – we collected our 7 millionth hydrant this year – all goes over to Neil's group. He compiles that and creates a digital product that goes out to the industry so that they can drop an address and they get a protection class back.

Mark Anquillare: I just had one more point on that that I wanted to make and that is one way we do interact with the consumer a lot is through the quoting of insurance. And we typically come at it from the insurer perspective, but there's a huge benefit to the consumer.

And that is moving data and analytics to their point of sales so that a person can get a more accurate quote quicker. And so we believe that that benefits the consumer to get a better shopping experience and a more accurate price for their insurance.

Gary Bisbee: Gary Bisbee at RBC Capital Markets. You talked about having hundreds of products. We know you work with most of the major insurers, but can you give us some sense or color around penetration in the major product categories?

And really what I'm trying to understand is as you think about the growth you have delivered and you hope to deliver going forward, how much of it is penetration of existing products? How key are these new products you talk about in really delivering revenue this year, next year, the year after. And can you just help us understand that? Thank you.

Mark Anquillare: So let me turn it over to Stephanie. I'm not sure we're going to give you the quantification you are looking for, but what I think we can do is give you a feel for how our customers typically go-to-market, how they engage us, a little bit about how a natural new insurer would roll out and extend services. We have several of those in a typical year and then maybe give you a perspective.

Stephanie Sutton: Yes, the way we engage with our clients and we are very penetrated into many of them and then we have startups coming out all the time into the industry. We've created a client engagement model that I would call decentralized.

We have embedded with each of these operating divisions' sales and client engagement teams that are experts in those products sets. And within the capabilities as well as the needs of customers and those different aspects that Mark had on value chain, whether it be underwriting claims, et cetera

Then we have a very Lean center, where we have a client engagement group focused on our top 30 P&C clients, whose job it is full time is to be experts in those clients. So with this sort of hub-and-spoke model, we are able to in areas where we have maybe some of our products that are very well penetrated and have been in use for a long, long time, we are able to reinforce that value and help those customers maximize the value in those – that are embedded there within their workflows.

What it also enables us to do is to build on that. So with the various different groups out working with our clients in the different budget centers, if you will, they are easy for us to upsell and cross-sell as well as bundle. We have a lot of capabilities, a lot of new exciting capabilities coming out, so this model enables us to capitalize.

Mark Anquillare: So we have, in my mind, two the renew insurers that are coming to market. Without providing any specific, just maybe talk about what products they are first interested in and what the next step out, just to give them a little flavor for that.

Stephanie Sutton: OK. Yes, we have a lot of new entrants into the P&C space – some traditional, maybe, some not so much. We're seeing some come out of, actually, the financial markets.

And we have put together sort of a methodology for engaging with (the send). The first though usually is, if it's people who are not traditionally from insurances, I want to be an insurance company, how do I do that. Can you help us. Yes, we can.

So sort of first off is usually with Beth Fitzgerald's organization and the core ISO business, where we say OK, if you want to be an insurance company, this is what you do and this is all you need. So we provide that guidance.

And then once they get off the ground, then we are able to move down on that chain and say OK, well, now you need to be able to create your underwriting guidelines and deploy your products. And so then we kind of move down into maybe Neil's organization and on down the line.

So we are able to provide cradle to grave, if you will, that level of service and capability to new entrants, which is, to me, very exciting.

Alex Kramm: Alex Kramm, UBS. Maybe a slightly bigger picture question. It seems like there is a trend that Big Data is getting cheaper and cheaper and this – to some degree, you're obviously benefiting from that. But there's also been other industries where that has led to significant disintermediation.

So just wondering if you were to point at where you see some new entrants come up that are come up in more innovative ways to source data and distribute it. And also if from your customers' side, some of those customers are seeing ways to do more things themselves again, because it might be cheaper to source some of the data as well. So …

Mark Anquillare: I think it's a great question. Steph, I know you have led some of our knowledge and thought leadership there. Maybe you can give – give some advice.

Beth Fitzgerald: Yes, I am a big believer that Big Data is really going to be a key part of being competitive. This is a very competitive market. I think those who are really embracing Big Data are looking to be that first-mover advantage to more analytics.

I think we have more of an opportunity to work with those that are open to new data sources and more analytics than those who are probably going to be following along a few years later. I think they are building up their analytic teams, our customers, but those analytic teams are hungry. And they are not hungry just for raw data.

And I think that's where, when I look around Verisk, this is where the more smart data you can give them with insights into that data, that they can then try out on their own data, that's really what they are looking for. And they are also looking for combinations of data that haven't been tried before.

And that's really exciting and they're coming to us saying what do you have, what don't I know about. And those are the real interesting conversations. I think they respect us for the quality of the data we have, for the intelligence we bring to the data, and they are looking to partner with us.

And that's where customer engagement is very important. We have to approach those customers differently than we did the traditional way of just here's the actual benchmark. I think here is an opportunity for us to go around our core products and really offer more analytics and smart analytics. I call it smart data; that's one of the buzzwords I use.

Jamie Friedman: It's Jamie at Susquehanna. Mark, I have more of a popular science question for you. I know it's hard to choose among your children. If you had to reference a couple of killer apps – killer apps, like Stephanie had mentioned your client engagement center.

So what is the buzz in that set? What apps can you reference? I know you talked about a lot, but which couple would you call out that's really the wave of innovation?

Mark Anquillare: Sure. So here's what I'm going to do. We are going to go quick, because this is kind of – maybe we are running (today) for time. But I think that we have a lot of killer apps. And I think each of our businesses are very much around and focused on innovation.

So I know Jim will probably say aerial imagery, but let's start here. Neil, would you mind? Give us your best idea.

Neil Spector: Sure. OK. So I would say insurers care about two things: speed and accuracy. And providing data and analytics at the point-of-sale so they can shrink the quoting time of personal lines significantly, while avoiding premium leakage and fraud is a big area of focus. And it's an area where we have (inaudible).

Mark Anquillare: Beth?

Beth Fitzgerald: I would say our risk analyzer products, which are really adding more detailed analytics around our core products.

Jim Loveland: So in claims fraud area, organized fraud is a huge problem, and an increasing problem. And I would say our discrete network analytics and you can see it at the solutions booth is really going to be game changing for our customers.

Rich Della Rocca: Mark, you kind of hit the nail on the head. We've got some great products. I've been in this business for almost 30 years. We have been dreaming about the day that we can take high-resolution images and turn it into meaningful data sets and know precisely information about that structure.

So when you go into that structure from an underwriting standpoint or a claims standpoint, producing a series of – sets of property characteristics and serving that up for both claims and underwriting is pretty exciting stuff that we are doing there.

Ming Lee: Likewise, there are lots of things. But if I were to just talk about one, I would talk about the geospatial analytics. Many people think that capacity modeling is just really this really nerdy kind of thing that only PhDs do.

But the fact of the matter is yes, you need to PhDs to do part of it. But to really make business decisions, you need to understand and visualize where your risks are relative to hazard, be able to do analyses on a very visual basis, so that you can explain it to senior executives. So geospatial analytics will be one of the killer apps and how we are feeling it.

Bill Raichle: I actually have a hard time believing these guys could come up with one each. I was prepared to have about 25 minutes before they got to me. And I know them pretty well.

So we have a database, about 3.5 commercial properties, that we had actually inspected over time. And we produce specific loss costs for most of the buildings in this database. So carriers file with the states. They go in, enter an address, the building is in the database. They see what the loss cost has been for that particular building.

That's a combination of what we do in terms of the engineering information we collect about the building and what Beth does in analyzing premium losses from maybe 70 percent of the industry that submits information to her.

So we recently came up brand-new app, we allow companies to do sort of a what-if analysis. So for example, if a building got deficiency points on the engineering schedule, because their sprinkler system hadn't been inspected in a couple of years, they can say to themselves well, what if that sprinkler system was inspected and passed the inspection. What would that do to the loss cost.

So on the new app, they click off the button passed the test on the sprinkler system and they watch the loss cost get better. And we think that's going to be really popular among agents in particular. But a lot of carriers who are really looking to kind of tweak their premiums as best they can will be interested in that, too.

Stephanie Sutton: OK. I'll agree with each one of you guys. Those apps are awesome. From my perspective, what our P&C clients are looking for is Verisk's version of the iPhone. So that they can take the apps and combine them.

And that to me, would be the killer app is how do we – when you are sitting here, no matter who you are, the end-user consumer, you can pick and choose the apps you need for what you are trying to do today. And so that's my perspective, I guess, to layer on top of all these killer apps we have.

Mark Anquillare: Thank you. I think we are out of time. Jamie, we love all of our insurance kids. Thank you all. Appreciate it.

Eva Huston: So we are running a bit behind time. We do have a break now, so we're probably going to take a break until about 10:30. And then we will circle back, so feel free to talk to any of our leaders, visit the product demos, and we will see you back shortly. Thank you.

(Break in progress).

Eva Huston: All right, we are going to get started back on our program try to keep on schedule. Next up I would like to introduce Nadine Hays, who is the President of Verisk Health and she is going to talk about our healthcare business. Nadine?

Nadine Hays: Thank you, Eva. Good morning. Can everybody hear me? Yes, I'm sure you can; I can certainly hear it. Good morning, I am delighted to be here this morning and share the progress we have made at Verisk Health since we last spoke almost I think just a year ago.

In addition, I will be covering some of the key trends in our market as well as the growth drivers and what we are looking forward to over the coming year.

I thought it was important to start with our mission. For those of you who are new to Verisk Health, our mission is very focused on empowering the transformation from volume-based healthcare to value-based healthcare and payment systems. It is a data analytic and technology driven transformation that is critical.

I am sure most of you follow healthcare and it is not lot on you that regardless of what happens with the Affordable Care Act, regardless of what happens with King versus Burwell, the transformation in healthcare is underway. And we are moving away from a system that rewarded excessive volume, five MRAs – MRI imaging studies, five payments.

No, we are moving to a system that will reward the right care, the right care for the right patient at the right time at the right cost in the right venue. And that is one MRI, not five.

So that is a major transformation, fantastic for the United States, but very hard for our clients. And requires a lot of intensive data, analytics and technology to support moving in that direction and figuring out what does right really mean. So we will talk more about that today.

But first, I thought I would just remind you about what we do, why we are here. We are a data analytics and technology company – and I will talk about my killer apps too, I don't think I'll even wait for you to ask about them.

We support probably 40 product lines, but all with a view to helping our clients manage the clinical and financial risk associated with the delivery of care and then measure the outcomes associated with the delivery of care and determine the quality, which ultimately leads to how they are paid.

So we will go through how we do that in each of our sectors first with health plans. We, by the way, have more than 300 clients, 350 or so, 260 of them are health plans. For our health plan partners and in partnership with them we provide solutions today that help them manage their networks, a network is a bunch of providers, physicians, hospitals, all of the care delivery entities that are needed to serve a member population, a patient population.

It is critical to have the right network, a high-performing network and a cost-effective network. Our tools specifically provide – our intelligence and medical intelligence help our clients do that.

Appropriate risk adjusted revenue, all of you asked questions last year about Medicare, I am sure I'll hear more today. That part of our business continues to grow. We serve more than 40 percent of the members that are in Medicare Advantage plans today. And what we do there is ensure that our clients are being reimbursed for the actual illness burden of the patient population they are managing. And I will talk more about how we do that in just a moment.

And then finally population health management and quality, two sides of the same coin. Identifying and stratifying clinical risk at the patient level and rolling it up to a population strategy and implementing effective care programs that can ultimately be measured and determined whether quality was in fact delivered and therefore payment should in fact be rendered. So those are the key things we are doing for health plans.

In the employer market where we have – while we have 60 contracts per se, we actually serve more than 1,000 employers through our channel partners. We work with most of the benefits consultants and brokers in the United States to help them help their clients, our shared clients, really drive a healthy, productive workforce strategy while also supporting those clients as they negotiate premiums based on the risk of their employee population and evaluate carriers.

Sometimes people say, well, gee, how can you work on both sides of the street? You are working with all these health plans and then you are giving the same tools to your employer clients so that they can evaluate whether these are good health plans.

Well, that is the beauty of the business, right. To be that neutral arbiter of risk, that neutral view in the risk by leveraging data, analytics and a variety of technologies and visualization capabilities to help our clients quickly get to the kernel of what is driving risk.

In the provider market we have 25 clients, one of whom is a very important channel premier, an excellent partner and through them we have dozens and dozens of more provider clients we work with. Today we are working with some of the leading health systems in the country. And that is a fast-growing part of our industry and we will talk more about the provider market.

But what we do there is really give providers something they have never had before, which is a 360 degree view of the patient. What does your physician have? When you go into his or her office they have a picture of what you do when you are in that office.

For those of you who travel as much as I do they have no idea, no idea that you had an asthma attack in Tucson or that you were hospitalized in Florida. They only know what you tell them. How can you manage and be responsible for a population, financially responsible as well as ethically responsible, for a population's wellness and health if you do not have a 360 degree view of their experience with the healthcare system?

So that is a critical component for our provider clients to manage risk, they cannot take on risk for this population of diabetics if they don't understand the 360 view of that patient and their experience in the healthcare market as well as their risk source.

In addition in that market we are doing a lot of work around budgeting and underwriting, leveraging our DxCG tools. The money is moving all over in healthcare. If you watch the way the money is moving it is pretty complicated. And it is following the risk. It is a very exciting time to be in this industry and it is a very exciting time to be with Verisk Health.

So we have the benefit of having a really fantastic client base, as I just mentioned. For instance, I didn't mention, but in the health plan space alone we work with every Blue's plan. We work with 9 of the top 10 health plans, that is 75 percent of the lives in this country.

We work with all of the leading managed Medicaid plans. We sit in a very nice position in our market and in enables us to get very intimate – I think Stephanie used the word intimate – with our clients so that we can really focus on addressing their core problems.

Regulatory environment, it is so complex, I gave a presentation on this just recently. In the quality arena alone there are more than 16 measure sets that at risk organizations will need – at risk health organizations will need to be cognizant of.

Initially quality was something that was thought of as a compliance, it was a compliance thing. Then it moved into an incentive thing. Boy, if you are a quality physician or a quality health system we are going to pay you more because quality – we are going to pay you a lot more.

Now it is moving into a very different world. If you are not a quality organization we are going to penalize you. If you are allowing too many readmissions into your hospital because you are not doing good discharge planning, $500 million in penalties just last year.

So this is – that regulatory environment, CMS, oh my goodness, the Center for Medicare and Medicaid Services, I feel like I am a personal expert. If on the break you want to know anything about what is going on at CMS, happy to share that. We have to stay on top of it because it is complicated. And there are hundreds of millions of dollars at risk if we do not stay on top of the regulatory environment.

Not the question I always get asked – is all this complexity good for Verisk Health? And the answer is yes. It is very good because our clients are confused, they are inundated. And by the way, they are actually trying to do their job which is provide care to the patients, not become experts on regulatory environments.

And in partnership with each other we become their trusted partner and a leader to help them navigate through this frankly morass of regulatory environment.

The greater focus on cost containment – on the earnings call Scott mentioned some of the things that are going on with our clients as they try to comply with the MLR regulations, that is the medical loss ratio, where they really need to reduce. It is not sustain, it is reduce their spend on administrative costs and put more spend into patient care where it belongs.

So – but that is hard, right? That is hard. These are big, big, big outfits. So we work very actively with our clients. We have one client – and I can't share their name, I wish I could, but I can't – where just in the last six months in partnership with them they have saved $60 million.

There is real money and the way we do this is by applying one of 17 million rules, in some cases in real-time fashion streaming through the system 24x7, 17 million rules to every claim in addition to a wide range of fraud conditions so that we can very quickly determine which claims should be paid and, by the way, paying them fast – Mark mentioned this in his presentation – fast is good, right.

Your providers, your doctor really appreciates it when he or she gets paid quickly for an appropriate claim that reflects the illness of the patient. But then ensuring that we don't pay the ones that – where there is fraud suspected or it is waste or abuse or incorrect bundling and so forth and so on. And provide a clinical overview for those claims and then determine how to triage them.

Fraud is a big problem in healthcare and it is getting bigger by the day. I think I just – it was you Nana, who said to me that a medical record is now more valuable on the market than credit card information. It is extremely valuable; it is a $250 billion problem and growing. That is the most recent estimate, I am sure it is bigger by now.

So cost containment, critical, we focus on that in our payment area, which as you all know was a nice growth part of our business last year, very high demand moving forward.

Population health and quality, we have already talked about that and we are actually going to talk a lot more about it as we go through. It is the cornerstone of the movement to value-based healthcare. Because in essence what does population health mean?

It means we need to risk adjust the entire population at hand, all of the individuals, all patients, stratify them, understand the drivers of risk, the illness burden. Remember in our industry the risk asset is the patient, that is the risk asset, it is a human being. And we need to understand what the drivers are of that risk and get underneath what we can do to avoid potentially high cost events, which we predict in some of our killer apps. And most importantly get that patient the right care they need.

That's a little known fact, about 40 percent of Americans are not getting appropriate care in light of the illness burden they have. They are not getting the care.

We always focus on the too much care part of the equation. Well, there is a too little care part of the equation that is also resulting in unnecessary emergency room visits, unnecessary hospital admissions, very expensive care strategies that could have been avoided in many cases if appropriate care had been rendered.

So Population Health is a cornerstone of this move to value based as is quality, you cannot manage it if you cannot measure it. And you certainly cannot improve it if you can't report on it and lay out informed strategies. So these four buckets, why I mentioned we have more than 40 products, these – they all fall within these four buckets.

Now needless to say in a market like ours that is very dynamic, lots of change, change creates fear, fear creates buying. It is competitive, but you will note here for many of those we spoke last year, our competitive landscape is relatively consistent year over year. It is the Optum's, the McKesson's, the Inovolan's – we see pretty much the same folks year over year.

With that said, there are niche vendors entering all the time and we keep a very close eye on them, I put two of them up here, Health Catalyst and Explorys, very interesting companies doing population health, exclusively focusing on the provider side.

Last year I think when we got together I reported there were maybe a couple hundred then at that point, a few hundred ACOs, affordable care – I mean, affordable care – accountable care organizations. That number has grown exponentially. There is not a health system in the country or a hospital in the country at this point who is not either in a risk arrangement, negotiating one or contemplating one.

We have seen an incredible uptick in hospitals and health systems applying for insurance authorization. So the industry is changing and the risk is moving. And therefore we do see new entrants in that category.

But we continue to be advantaged as we compete. We talked earlier this morning about the first mover advantage. Whenever I hear all the new entrants talking about Population Health, talking about quality, talking about Big Data, talking about analytics, well, we have been at that for a really long time.

And in light of some of our acquisitions we can honestly say we have been at it for 20 years. And we have always had a vision and a mission for healthcare. Always that the current model, the current payment models and the current care delivery model is broken and we want to be a part of the fix. And in a minute I will talk about that.

But two differentiate us, first it's our depth of our client relationships. Scott mentioned our innovation model, we have an enormous sand box in which to play with a very engaged client mix. I highlighted that we work with nine of the top health plans and all of the Blues plans.

The Blues plans are really interesting, by the way. We can engage and are engaging in some very meaningful partnerships because the Blues plans in some states, whether it be Tennessee, South Carolina, Louisiana, Wisconsin, really control their providers. They fill those providers' offices with patients.

When you have the kind of symbiosis you can effect incredible change in a local healthcare market. And there are lots of incentives to do so. So we have some remarkable client relationships also with our benefits consultants.

We learn so much from them, as a result we are now foundational to two of the top private exchanges, Towers and Aon Hewitt. So it gives us a great differentiation that we have this fantastic boatload of feedback, if you will, that informs our strategy going forward.

Our regulatory and healthcare domain expertise is, needless to say, very strong. We have more than 250 people who do nothing but think big thoughts and building out analytics and new capabilities. Right now for instance we are working on some interesting models around hospice care, very high cost end of life care. That is an area where the spend in this country is huge. I am not suggesting it is not important, I'm simply suggesting it needs to be effective.

Data management, we manage billions of claims, they come through. We work with all types of data sets, claims data, clinical data, workers comp data, disability data. For instance, in our employer market it is critical for the employers to get that total view of how their employee is interacting with their benefits in a disability work comp. And as you would guess, there is an awful lot of duplicative payments going on. So that is a great benefit for them.

Industry-standard analytic engines, we have a number of engines, most of you are familiar with DxCG, which is the lingua franca of risk adjustment in this country. It is actually the foundation of how CMS originally defined risk adjustment. They used our hierarchical categories. And it is used somewhat ubiquitously for underwriting and budgeting across the United States.

But in addition to DxCG we have a (gaps in) care engine, as I mentioned. Almost half of America – Americans are not getting adequate care even though they are insured or covered. There are a lot of gaps in care, this becomes incredibly important for a chronically ill patient, or an elderly chronically ill patient, if they are not getting the appropriate treatment for the chronic condition. Those – the failure of appropriate treatment leads to expensive interactions with the healthcare system unnecessarily.

We have 17 million rules I mentioned. We have a fantastic fraud suite, very nice growth in our fraud suite and an expanding set of conditions in that area as well. So industry standard analytic engines. And then finally solutions that were designed from the get-go to promote a value-based healthcare system and address the core driver of what is going on in this country.

In addition to the patient situation, getting older, notorious for not taking care of themselves, so forth and so on. There is the provider. The provider's pen, the physician's pen is the most expensive medical instrument in the United States. Every time an order is made there it goes, right, more money. Getting insight into those ordering patterns is key to getting our arms around the value-based system because utilization of services must actually go down.

And let me talk about – I opened this with why, regardless of what happens with the Affordable Care Act, regardless of what happens with the Supreme Court, this train has left the station. And healthcare transformation is underway and it's irreversible.

And the reason why, really it is economic. I mean look at what you are seeing up here. If you look right here $5.2 trillion spend by 2023, over $3.1 trillion in 2014. That is the spend on healthcare. That is not sustainable. That is not sustainable.

We have 10,000 people a day turning 65. And by the way, I am only in the middle of that stream of baby boomers, there are a whole bunch of them behind me. That is going to be going on for quite a while and they are not necessarily accountable people in terms of managing their health.

So we as a country can't accept that. The $900 billion, what if that scales? That is based on 2014. What if that scales, that waste/abuse in the system. I mentioned $250 billion of it is fraud, but the rest of it, the rest of it is failure to coordinate care you know?

Maybe I have diabetes and I see seven different physicians and they are not coordinating with each other, they are all doing the same things. And somehow I, the ill person, am expected to inform all of them that they shouldn't be doing what they are doing because somebody else already did it.

So failure to coordinate care, duplication of services – I could go on and on and on about the amount of waste that is in this system. 33 percent of what we spend in this country is just wasteful.

And then finally – well, not finally – this increase in chronic diseases. It is inevitable. We are living longer. We are getting older. It is inevitable. So extraordinary uptick in the next – this is a 30-year view. Some are much more aggressive in their forecasts that we're becoming increasingly chronically ill.

And by the way, most people who are in that chronic illness category, they don't have just one. It is not just diabetes, it is almost always three to four. So it is complicated. And finding the drivers and what you can actually do, the levers, what you can actually do to improve that outcome is very challenging.

And then finally, four times premium – premiums are outpacing wage growth by four times. That is unsustainable. I am not going to talk a lot about consumers today, but what I will say is the consumers are going to be in a lot of pain.

The premiums are going up, to the extent they are going into exchanges they are largely going into bronze plans, the bronze plans are going to surprise the heck out of them with some very large co-pays. And in the high deductibles, they are hardly at risk. So it's thousands of dollars that these consumers are not prepared to be paying to a healthcare provider.

Nana and I were talking about this yesterday. What an opportunity for us to work with providers to help them understand the propensity to pay medical bills. That is a great analytic object that we should be thinking about because we aren't used to paying medical bills in this country.

So all of that said it is an economic crisis. I heard Governor Leavitt speak recently and this is really his view of the world as well. And he said you know this falls into the category that Winston Churchill cited which is you can always count on the Americans to do the right thing after they've tried everything else. And I think that is where we are with healthcare.

We are in the midst of a fundamental shift and it is exciting and it is all about the shift on how healthcare is delivered and how it will be paid. And I am going to go through this pie that you're looking at in a few slices in the next three slides and try to make it real, like what does this really mean.

You know improving outcomes and aligning payments – the three slices that you see over here. What does that really mean and I thought it might be helpful if we take a patient and really think about it. In this case are name is Susan and she has diabetes and she probably has a few other things but we will focus on diabetes.

What is the first thing we need to do with her? We need to understand her risk. Is she a well-controlled diabetes person, right? What kind of diabetes is it? Is it pancreatic and is she well-controlled? So we have to find her. We need tools and data and analytics first to find her.

Second, we have to risk adjust her, is she in control or not. In this case she is not.

Third we have to understand is she getting all the care she should be getting? Is she getting hurt A1C, is she getting her eye exams, her foot exams, all of the other things? We have to find that information, don't we?

Fourth, if she is not we have to inform the care delivery arm to ensure that she is getting it.

Fifth, we have to then measure it. Did it – was it a good outcome?

And sixth we have to then prove it if it is a good outcome so, seventh, we can be paid. That is what is going on in the healthcare system today.

Then I want to talk about how it ties to revenue, this very same patient, let's assume she's older and she is in a Medicare advantage plan. Well, if she has severe diabetes she is going to her doctor. He or she, the doctor, is not necessarily putting that in a claim every single year. It was in the claim two years ago, it is in the EMR, why am I putting it in the claim every single year?

Well, by failure to do so that is a missed revenue opportunity and potentially a missed care ordination opportunity. So what do we do on the revenue side with our Medicare Advantage clients and now our 20 some odd commercial risk clients is use our analytics to identify those patients where we can pretty sure there are illness burdens, there are conditions there that were not captured in the claim.

And then go into the clinical record, either interoperate with an EMR or goes straight to the record, and glean through it to determine if there were missed codes. And invariably we find them. Invariably. Anybody who is following Medicare, they see a 2 percent increase per year. This means hundreds of millions of dollars for our clients in captured revenue that would have otherwise been lost even though they are managing that level of illness.

So in this case Susan was found and the health plan was awarded the financial opportunity.

Improving quality and linking to payments, again we have talked about this already. It is all about great that you did it, now you have to measure it. And once you measure it you have to determine was it in fact acceptable quality of care and, if so, link it to the payment. What used to be kind of a fee for service world, do it, get paid for it, is really now a risk-adjusted quality-based payment world.

And then finally waste and transparency. As many of you know patients with diabetes frequently have musculoskeletal issues and vascular issues. In this case Susan has had severe back pain, she goes to her primary care who refers her to a specialist, has an MRI, she doesn't like the answer, they recommend surgery, which is hard when your vascular system is impaired, she goes for a second opinion and another MRI.

In the old days both of them would be paid for. Today one will be paid for and the primary care physician who did the referring will be dinged financially. This is a big change in how we operate and Verisk Health is right in the middle of it. Our analytics, our data, our software solutions and the data visualization capabilities right in the middle of it.

So that gives us a nice platform for growth. There are really three drivers of growth for us, market expansion, market penetration and innovation. In market expansion our markets – the core markets we serve are enjoying terrific growth.

I mentioned 10,000 people a day turning 65. Well, assuming that a major portion of them do select managed Medicare versus fee-for-service Medicare – and, oh, by the way, did anybody notice fee-for-service – I'm saying the whole world is moving to value and then I throw in fee-for-service with Medicare.

They have just put a stake in the ground that by 2018 more than – 50 percent of the fee-for-service payments will be in alternate payment programs, risk based payment programs. So CMS is on the train as well. And when they are on the whole country goes with them.

So great growth in the Medicare Advantage space. As I mentioned, we are partnered with some of the key leaders in that space and would expect to enjoy some growth with them.

Coverage expansion. Medicaid is growing, we do a lot of fraud and claims editing work in the Medicaid, as you would imagine. We work today with about 26 percent of the managed Medicaid lives. But more importantly, we work with the health plans that are key leaders in the managed Medicaid world. And so, I would expect to see some growth that is what fueled the growth in payment – our payment accuracy solutions in 2014.

The exchanges, it's going to be interesting to see what happens with the exchanges. We have signed a lot of commercial exchange business, we will be making our first submission. Last year we reported that as an aspirational innovation; this year I am happy to report it as an existing solution suite with 24 clients and we will be doing our first submission on April 30, so that is a great achievement.

But the forecasted growth in that area is huge, but again, we do need to see what will happen with the Supreme Court case and the subsidies in the 37 states that rely upon the federal exchanges. So more to come on that.

Shifting to value-based payments. I think I have beaten this one to death. Very fast growing, it will diversify our client base. As you know we are highly concentrated with payers. I would expect within two, three years you will be seeing a much greater mix across provider payer collaboration entities, in some cases they are becoming one. So nice growth market.

Today we estimate, based on just what has happened in the last year, that our current market for what we do today, not what we aspire to do but what we do today, is approximately $4.8 billion. Our forecasted market for what we do today, plus everything we aspire to do – so assuming perfect execution, is close to $9 billion. You don't see many markets with that kind of growth profile. So we enjoy a nice opportunity here.

Market penetration, we continue to have success in our cross sell/up-sell effort. We had 115 new deals in 2014 where we sold new solutions, additional solutions into our existing clients. That is more than double the prior year. And we brought on 35 new name clients.

We do not actually count – I didn't count, I should have – how many new clients we brought on through our employer channel, but it was a lot. And we have excellent client retention, 95 percent at both levels with retained revenue as well as retained numbers of clients. So you can see we have a lot of opportunity here on the 15 percent – only 15 percent purchasing multiple solutions. So our sales team is highly focused.

Innovation, the Anti-Fraud Alliance we – I think this is maybe our third year mentioning this to you. And each year – last year I think we shared with you that we believe in this collaborative data alliance with all our hearts, but we needed more volume.

I can't remember who today, I think it might have been (Neil) was talking about what it takes – or actually it was Rich – what it takes to get enough mass that you can actually have enough data in these consortia to really show value. Well, congratulations, good news as our shareholders, we now have enough.

We had a major client come on board this year representing potentially up to 36 health plans, but initially about 7 million lives. So we now have 16 million lives in the database that covers 50 states and there is a subset of those 50 where there is enough overlap in the data for us to really begin to find provider fraudulent patterns that are being played out across multiple health plans.

For anybody who is new to this particular part of our business let me just explain it. The concept is simple. If you are a physician who is fraudulent- – and I mean you can't believe some of the schemes we uncover, I mean these are bad guys.

If you are a physician who is fraudulent at Tufts Health Plan in Boston chances are pretty good your fraudulent at Harvard Pilgrim, at Blue Cross Blue Shield Massachusetts, at fill in the blank, you are probably fraudulent everywhere. And our early conditions have proved this out. We have found folks who have billed eight hours a day to all of the health plans. Well they have no way of knowing that unless they pool their data.

So this asset, we are the only ones in the industry that has this and I am very excited that we now have enough girth to be able to explore and develop additional fraud conditions. And to that end we have been on boarding – as Scott mentioned, we are aggressively recruiting these smart graduate data scientists to help us build out.

Payer/provider collaborations. One client comes to mind, which is just a brilliant client, where they actually bought up the health systems and they are now a true fully integrated system. And they use our tools, Medical Intelligence and Provider Intelligence and DxCG to provide a completely transparent exchange of patient health risk.

And in so doing and also in using our predictive model they have reduced their emergency day visits and their inpatient admissions dramatically. They have lowered their cost while increasing their revenue. So very strong – that collaboration is key to our strategic future.

Shared savings programs, this is a Medicare shared savings program. The clients that we share with our partner premier where they are using our mutual tools to manage risk and lower their cost while improving and proving their quality through the ACO 33 quality sets, our joint clients, 44 percent of them actually realized shared savings.

That may not sound like a lot, but the national benchmark was 24 percent. So we are making a difference, we are making a difference. Better quality, lower cost and reimbursement.

So with that I will close with we have had a nice growth trajectory, we exceeded our mid-teens guidance for 2014 and that has really been driven on the back of a very attractive business model. Our revenue is linked to our customers' growth. They grow, we grow.

A good portion of our business is SaaS subscriptions as well, traditional recurring revenue. And almost all of our business is in multi-year contracts which has enabled us to drive that nice retention figure. So that is all I have today and I think we will take questions.

Audience Member: First on the Medicare Advantage expectations for enrollment, could you give us any color on what your expectations are for 2015? And then I have a couple of follow-ups.

Nadine Hays: So our clients enrollment which they have just closed?

Audience Member: Right.

Nadine Hays: Yes, I don't have visibility into their enrollment. Most of our clients are pretty shy about sharing that for fear that it will leak all over. It will become apparent, however, because the states do report on it as do the Feds. So we should know by April what – because enrollment just closed.

But with that said, what you will see is of the people who are aging in in Medicare, the 10,000 a day I mentioned, the 3.6 million a year, roughly 50 percent of them go managed and then we are also seeing an uptick in those who have been traditional fee-for-service people going into managed. So I would expect all in that market should grow around 8 percent.

Audience Member: OK. And then in that business what – is it getting tougher to – how is the decision process and what do you consider to be your competitive advantage as it seems like there is more and more interest in getting involved there.

Nadine Hays: Yes, yes. One of our competitive advantages is that we have been doing it for a long time and therefore we have solid references. There are, you are correct, a number of people who are coming into it, not – maybe they are coming in just to do one piece of it, but there are certainly entrants. But a proven track record is certainly an advantage.

A bigger advantage that we have is we are flexible. Our primary competitor – as a general rule you have to buy every – there are about 12 different components that have to be delivered to ensure a successful Medicare Advantage program. We do all 12 of them.

We do not require our clients to buy all 12 of them or they get nothing. We'll support them exclusively on submissions or exclusively on analytics and what we call suspecting. So we are much more flexible in how we package our offering.

Audience Member: OK and then last quick one for me. Medical records you said are getting more and more expensive – or I won't use expensive, but more and more valuable. How do you continue to accumulate those? And do you see an area where you would be paying a fee at some point to retain that type of data?

Nadine Hays: Actually we do in fact for some – not a lot, but we do in fact pay fees for medical records and to retain them, but also to retrieve them to the extent we can't do it through an EMR interoperability. But in really large places, Cleveland Health, et cetera, we can go right into their systems. And that is a really great way to do this.

But, yes, I do see them becoming valuable and you will see in our future plans as we – and we are partnering. As Scott said, we always like to partner with a client on innovation, but this one is a really good one where we are creating essentially a vault – a highly indexed vault leveraging OCR technology.

And this will be over a period of years because they are very, very large. Where those records can then become very meaningful clinical data for multiple areas, in this case 50, 5-0, departments within the health plan. So that is a very valuable asset. Wow, how do I pick? OK.

Audience Member: So, two questions. I guess one just the market growth I guess chart you had. The biggest single area of growth would be the Population Health. And I know you mentioned that is part market growth, part things you want to do that you are not doing yet I guess.

Is the takeaway – I guess how much is each and is there a takeaway there that there is a lot more you want to do in that part of the business that you are not doing today? And then secondly on the Medicare Advantage side, you had a recent competitor come public and some of this may be –.

Nadine Hays: Wait a second, it took 3 minutes to get to this.

Audience Member: Some of the – it may be messaging, but they have played up their data asset probably more strongly than we have heard you historically talk about your data asset. Can you contrast how you think about that competitively?

Nadine Hays: Sure, sure. Why don't I start with your first question. There are a number of things that we believe we need to do to be the leader we expect to be in the Population Health arena that we do not do today.

And most specifically, while we take the process today all the way to the proof of quality, so analyzing the patient population, risk adjusting the patient population, driving the informed care outreach, measuring that outreach and determining the quality score, we stop right there. And then we cede it to the payment side of the house.

Going forward we will partner with our clients to create payment models – these poor healthcare providers; they are being tortured with 31 flavors of healthcare risk contracts and trying to decipher that and figure – and model and manage your practice to optimize both the quality of care being delivered, but also the payment that will be received. So an entire payment analytics suite is in our future – and payment modeling.

In addition, by the way, we always have to be evolving our technology. The technologies that are out today in terms of managing Big Data, they are compelling. We have already migrated our fraud solutions over to Hadoop, what a difference it makes. We just migrated our medical intelligence suite over to Vertica and we had one client say what used to take me 2.5 hours it now takes me 2 minutes, this is great.

So we are continuously evolving our solutions from a technology perspective which will require investment. But the big adds that you are seeing in that picture really relate to payment analytics and another (technical difficulty).

What we don't do today, although we benefit the consumer, what we – ultimately what we do helps drive better care at better cost, we don't actually deliver anything to the consumer. And I would expect to do that through a channel partner or some other form of third-party that we don't currently have in our pocket.

Medicare Advantage, I know that company that will go unnamed that went public, Inovalon. So, yes they did heavily lean on their data analytics suite. And I think a learning from our perspective is we are actually – have always been deeply data analytic. Our payment solutions, our enterprise analytics solutions, our Population

Health solutions are mature and widely distributed and we need to do a better job talking about it.

We have huge data sets, millions and millions and millions of lives in our data – in our data realm that is usable for us, used by us to create analytics, to build benchmarks and so forth and so on. So we should be talking about it more.

Andrew Steinerman: Nadine, it is Andrew Steinerman at JPMorgan. You might remember I asked you the same question last year. I'm going to ask you about slide 55 today which has the market segmentations, your addressable markets using current Verisk solutions. And when you add the revenue and quality piece together you get $2.2 billion of addressable market.

So it's slide – maybe it is the slide before or after. It was the colored slide that was just up. And so, my question is, when you add the $1.4 billion and the $0.8 billion you get $2.2 billion of addressable market. That same slide last year for revenue quality was $1.2 billion.

Have you changed the methodology – this slide, have you changed the methodology on how you look at addressable market just for revenue and quality? And if so, why?

Nadine Hays: So, we have changed the methodology. I think last year you will recall that I admitted we had deployed a fairly primitive methodology. We kind of took all of them and we applied our price point and we assumed they were all ours and that was the size. We have taken a much more granular approach today. We've also refined our target market.

We don't want to – we don't believe it will be profitable to work with smaller Medicare Advantage plans. So we have lopped off a number of targets that would have previously been included. So, but we have also upped the pricing. So all in, yes, we did change the methodology.

And I would be happy off-line and maybe if I can defer to you, Eva, and walk you through all of the – you have all the market sizing data and maybe you would like to address that? Great. Thank you.

David Togut: David Togut with Evercore ISI. Just two questions. The first is in the payment accuracy business, to what extent can you capture sort of a contingency payment where you are achieving a large amount of savings for a health insurance company?

Nadine Hays: So, that is our primary model. We do deploy a per member/per month model as well for a large part of our base. But the primary model is shared savings. And yes, it is very lucrative way to drive that business.

David Togut: And then as a follow-up, can you dimension that for us? How much revenue do you generate from a shared savings model and what is the growth?

Nadine Hays: I can't dimension that for you, but one thing I can share with you that is in the public domain is that we did have one client, I mentioned them last year, that had $174 million of savings in one year. So I can't share with you what our share was, it was nonetheless a very – it was a very good deal for us.

David Togut: Just as a quick follow-up – and maybe this also is for you a little bit, Mark, as well. In the fourth quarter call there was discussion about payment accuracy being the fastest growing business. And I think prior to that most of the discussion was about RQI really being the fastest growing business. And I heard a lot of excitement about enterprise analytics, which I think historically you have talked about as being the most mature business.

So could you talk to us a little bit about how the growth rates of these three businesses are changing? And what are the drivers that might be moving payment accuracy up above RQI? Or why are you more excited about enterprise analytics than you were let's say six or seven months ago?

Nadine Hays: Yes – so, sure. And Mark, feel free to just jump in and interrupt. I am ideally echoing your comments. The payment accuracy is a cost containment solution. And I think somebody asked me last year, man, if you guys are delivering those kinds of savings why isn't every single health plan in the United States working with you.

And I remember at the time saying, I know, I ask myself that all the time. But the answer was that the industry was almost crippled with confusion over the Affordable Care Act. And kind of all hands were on deck trying to figure out how to get ready for that and they took their eye off the ball of something that was very important called cost containment.

But as penalties start rolling in for failure to manage cost appropriately the eye went right back on the ball. So that is why we see growth in that part of our business.

In the Medicare Advantage part of our business we had unbelievable growth in 2013, as you know. So in 2014 we have been spending most of our time scaling to deliver effectively and in as automated a way as possible to meet that growth. I don't see a lack of growth in that market at all.

As I mentioned, it's growing between 8 percent to 10 percent per year and we will continue to sell in that market. Anything you would like to add, Mark? OK.

Audience Member: You gave us some stats on the number of new businesses sold or cross sold. This may be a tough question to answer given that some of the business is transactional. But if we look at like the dollar amount of new business sold, how is that trending relative to a year ago?

And then, as you think about the new business sole trends and the growth in the markets and your other growth drivers, is there any reason to think that this mid teens growth is not sustainable for the next several years?

Nadine Hays: So, I will start with the sales number. We didn't really disclose the sales number this year, so it is not something that is out in the public domain. With that said, we had a very strong sales year. We have a mature and effective sales team. And as you know in 2013 we had one very large sale that kind of skewed the (technical difficulty) for us.

It is one that he who shall not be named, Inovalon, they lost a big deal, we picked up the big deal, so we had a bit of a blip in 2013. But if you look at our sales performance year over year for the last five years you would see a very nice growth curve. In terms of forward-looking, we are in a good market and we would expect good growth.

Audience Member: Mark talked about it earlier, but trying to leverage the healthcare expertise to do bodily injury claims and so forth on the insurance side. I was just trying to understand as you grow this business like how much, if at all, do you leverage from the insurance expertise? And what else could we see going forward?

And just as a follow-up to that, in terms of the aspirational component of what you want to do in healthcare, how do you look at the decision between investing organically versus – since you have mentioned a lot of these niche startups – like consolidating the market?

Nadine Hays: Yes, yes, that is a great question. Let me start with the first one. As we look at the insurance sector there are really remarkable opportunities to partner. One is the one that Mark referenced where we are bringing workers comp data together with medical data which – it gives us surprising insight into not only the care planning component and the predictive analytics around the spend, but also the fraud piece of it.

Other areas that are very exciting, we are partnering with Rich's team to – we have created an algorithm for health plans – for our health plan customers where they could predict a subrogation claim and then bounce it up against our assets to determine whether it would be – whether a subrogation claim is likely. And deal with it upfront rather than all of it expensive wasteful chase stuff that goes on in that particular part of the business.

Another area I am really excited about that we haven't put enough time into is working with Ming's, climate impact health, and the predictive analytics around climate impacting health. You all see the – your fly into somewhere – and I now I am disclosing my medical condition, OK, I have asthma, you can probably tell. So – but there are apps for alerts wherever you go that can alert you whether there are weather conditions that might stimulate an asthma condition.

I would love to get more involved with Ming's business to do that. Working with Nana – I mentioned that the forecast is today for a physician, 7 percent of that physician's revenue is tied to the consumer's propensity to pay, the consumer's behavior in the financial – financially. It is forecast that within several years that number will grow to 50 percent. This could be devastating to physicians.

As the physicians take on more risk from health plans and they don't necessarily know how to manage it, and they take more risk with their patients and they don't necessarily know how to collect it. And by the way we don't have enough physicians already in this country. We have a big problem coming. So there is a lot of collaboration opportunity within the business.

And now I forgot your other question; you got me all excited about this collaboration one. Oh, yes. We never take our eye off the M&A ball. As Scott mentioned on the earnings call, the valuations are pretty wild out there even for companies that are literally startups, literally, 27 employee startups. The valuations are pretty wild. But with that said, every now and again you find a rational person and we are looking for them all the time.

Andre Benjamin: Andre Benjamin, Goldman Sachs. My question was about the upsell opportunity. You laid out about 15 percent of the customers currently by multiple solution. I was wondering for the ones that don't, what is typically the reason that they choose not to? Is it the ROI is not high enough? They are working with somebody else? They are doing it internally, et cetera? And I have a follow-up.

Nadine Hays: I am probably going to answer this in a way that – somebody will probably speak to me later about this answer. We are only now integrating our client services in our sales team and assuring that they have aligned incentive and all are awarded when we grow our footprint within a customer. So that will make all the difference.

And it is really not a market behavior trend. For instance, with the 66 Medicaid plans that belong to an organization called ACAP, we have 33 of them as clients using this or that. We shut have – first of all we should have all 66 of them. But second of all, for those 33 that is prime cross-selling. But we need to get our client services and our salespeople aligned to go into those accounts.

Andre Benjamin: And then from what you have seen to date is there a typical or most common upsell pattern or any best case scenario that you would share to help us (multiple speakers)?

Nadine Hays: It is so relationship driven. The best pattern of all is when the relationship is solid. I spend, by the way, the majority of my time with our customers and our prospects. That is – everybody has the thing they love, that is what I do and that is why Scott called out my fantastic Chief Operating Officer who is sitting in the back of the room who keeps us honest and keeps the wheels running. But it really is relationship driven.

And what we have found, because of our historic fragmentation across multiple business units, our clients didn't really know everything we could do, right. They had separate business units talking to them. Today, now that we are one Verisk Health, we have the opportunity to drive a much broader vision. And when we do the first thing that happens is, oh my gosh, I didn't know you guys did that. Come on in, I want you to talk to so and so.

So, I would see – that is a great opportunity for us to expand in our base. Happy clients buy faster. And we already have an agreement with them, we could just slap another piece of paper onto it, so –. All right, I think we are done. OK. Thank you.

Eva Huston: Great. Well, next up we are going to have Nana Banerjee come talk about Argus. Nana is a group executive, our Chief Analytics officer and also the President of Argus.

Nana Banerjee: Thank you, Eva. Delighted to be here again and have the opportunity to talk to you about Argus, it is an absolute pleasure.

Argus is, as most of you know is a leading provider of data information analytics to banks and their regulators. Over the last several years we have specialized in delivering strategy oriented solutions, regulations, product and pricing, technology enablement, risk and fraud mitigation solutions and more recently ad measurement and ad effectiveness solutions – all designed to help banks and their regulators leverage data and analytics for their agendas and better outcomes.

And true to kind of the spirit of what you have probably heard repeatedly through this morning, what makes us unique is a combination of certain things and that's unique and proprietary data assets that is sourced to us directly from our clients and their client platforms – combined with a deep domain expertise in the area of banking and in analytics.

And then third, we have a technology platform, Big Data technology platform that is highly scaled and secure. And of course you will have many companies that have a lot of these components individually, but when you put them together you have the best of Verisk and we would like to believe we have that at Argus.

So you have seen a variant of this chart in prior years, our history kind of since the time of our inception in 1997 using seed capital of MasterCard. With early days talking about credit card benchmarking, talking about pricing decisions and risk and (optionality) of profitability decisions, using highly regular data that was sourced to us from the banks. So that was the legacy and our ability to do that in the form of benchmarking subscription studies.

Through them growth for us has come through organic innovations in new kinds of products, new kinds of studies and expansion of our successful products and studies into new markets. During the early 2000s and mid-2000s most of our expansion really came through creating new subscription studies, getting into markets like U.K. and Canada and so on.

And then since our acquisition by Verisk in fall of 2012 a lot of the new emphasis has kind of kept the best of what we had but into new domains such as merchant analytics, fraud analytics, in the area of government and compliance. And these are areas that we didn't have before. And they have become very good growth drivers and generators for us.

So a strategy that has worked well for us is how we like to describe our products both to our clients and our other audiences. We typically describe that in three prongs, syndicated studies, product solutions and analytic services.

Syndicated studies are essentially consortia driven kind of great data-gathering access exercise. We've taken this data and we essentially are trying to help our clients understand the external environment. What is the external environment, the competitive environment and how can they use that information to make better strategic understanding and decisions of their own portfolios.

What we do really well here is the data we get from all our clients is highly detailed, it is more detailed than any other institution in the analytics business would have. It is essentially all the data a bank would have on itself and its customers and prospects. And imagine getting that from bank A, bank B, bank C and across not just the U.S., U.K., Canada, more recently Australia. So it is just a lot of data and our ability to then put it all in standardized database formats and then come out with analytics.

Our product solutions are multi-pronged. The basic concept, unlike subscription studies or syndicated studies that are subscription oriented, our product solutions are licensed-based or fee-based and the core element to it, they are typically algorithms or software. And the idea and the vision behind it is we are trying to transfer proprietary data into information and action. So how do you make it tangible?

Because subscription studies can be a lot of information analytics and talk that allows you to better understand what is going on in your portfolio. But you need to then go take action. Action about consumers and campaigns and in branch actions and how do you change what you do. And that is when you need platform oriented solutions. And that is what our products do.

Examples of those include cloud-based business intelligence tools enterprise database, solutions, we have statistical models and algorithms. We have media and ad effectiveness insights and software. And more recently one of our fastest growth products has been in the capital adequacy and stress testing domain.

Analytic services, a relatively small but very strategic opportunity for us to be able to get really intimate with the client in understanding what their true issues for that specific client are. And so we provide analytic services and essentially in the form of resources. And the idea of having those resources be available to the client is let's go leverage the best data that Argus has, the best product solutions that Argus has and let's make it work for you.

It is almost like we sold a car and now we are going to give you a driver to come with it and that is going to essentially make that experience of using it that much more usable.

80 percent of our revenue this past year was recurring and in just the way we do our math it is kind of that's the most conservative. If you look at how much of it really is kind of, even though the contract might end this year, but they tend to be evergreen and they continue again and again, it is in the mid-80s.

And about 98 percent customer retention rate is as good as one can expect. The last strategic client that we would consider in relative terms was – that we lost was in the fall of 2010. So essentially most of the big banks, most of the banks that are really looking at our solutions as unique and (inaudible) and clearly we believe we are filling a space that no one else does. It begets the stickiness that we see.

So the next few slides, what I thought we could try differently this year is just to make our solutions of how are we bringing value to our clients come alive. A good example, the one I use here this from a syndicated study or a benchmarking study in deposits. We call it DAPS or deposit access payment study.

And a classic challenge if you are a retail banker, and many of you know them if you haven't already been one in some prior life, is a trick to having a successful deposit account customer is to have that customer's payroll deposits come directly into that account.

Having that payroll is a big trigger because having that come through implies you are the primary account, it implies a stickiness and it implies great avenues to do cross sell and upsell and the stickiness also implies long-term retention. So it is just a very pivotally important role.

Now when we were comparing in this example the bank, which is kind of the inner concentric circle, and what are the sources of your ACH inflows. And the outside circle is the peer group and these peer groups are highly customized, every bank decides what their peer group is and so think of it as very relevant within a market, within a customer segment. You see the dollar inflows are relatively similar and there was no Aha, which is interesting but really what to do about a 2 percent difference.

But when we looked at those same differences of ACH inflows, customers and percentage of customers that are using ACH inflows and what percentage of them are using payroll and you see a huge difference within what the bank got, the 39 percent relative to 55 percent for the peer group. Now that is a big Aha. That if fixed begets a lot of good benefits.

And so, the next step – so this artifact comes out of our benchmarking study and then immediately comes with it our kind of twice a year recommendation set of you need to go fix it, here are some strategies like $50 install enrollment promos. And let's make sure when someone is opening a checking account or a deposit account they are also getting a promo to make sure you are there standing up to have the direct deposit coming to that account.

So relatively simple, highly actionable, highly valuable coming through some high-level benchmarking studies. And if the bank didn't know they wouldn't know. They would probably be high-fiving based on the high level results they are seeing in some public disclosures.

So a second one, a very solid strong product for us this past year has been what we call the LookAhead solution. In its essence the product helps our clients, which are typically the big banks. So nine of the top 10 big banks use this, 30 – more than 30 global platforms or banks use the solution to really help engagement regulators to address two basic questions – that they had adequate capital and they have adequate reserves for losses to have good safe and sound operations.

This, as most of you know is the bane of existence for most banks, particularly foreign banks, in this country and others. So our solution based on advanced – actually it's sort of the cooker math we have been able to build. It is a software solution, uses real-time dynamic math. I'm very happy to engage you in that if you would be interested outside.

It is really to help banks be able to better demonstrate to their regulators that under all the different scenarios that the regulator is throwing at you – so they are essentially giving you lots of what if scenarios and they are asking you to simulate the outcome of those scenarios they are throwing at you, and what is it going to do to your capital ratios, your income to loss reserves, your delinquencies.

And these software's are designed to answer exactly that. And the kind of clients that typically come to us for these solutions, if you are a big bank you file your CCAR submissions through using these as an output and the Fed's love the software.

Many mid-level, high – bigger banks that have been red carded by the Fed's for having failed there prior attempts, they can switch their other existing solutions either in-house or otherwise and they are coming towards the LookAhead solution.

And then a third area are these smaller banks, the $10 billion to $50 billion banks that previously were just the SCAP banks now are going towards DFAST or the DFAST banks that are going to CCAR banks. And those are also very natural kind of migrants to (inaudible) solutions.

So kind of switching gears again, a very important, powerful and successful and, over the past four or five years, good growth drivers for us is what we call wallet-share algorithms. These are essentially statistically derived scoring models. So anyone with a bureau record or public information has a score assigned to them.

They will be different shades of gray, but for the sake of taking action you want high, medium, low that is what we do, that is what most banks do.

And here are some results, that if we were to use some of these scorecards – and really the intent is how is a customer or a prospect look to a bank without the bank having an insight into how they are doing elsewhere. So a high office opportunity means they are not doing so well with you but they have great opportunity. And that is useful.

I mean it is useful for anybody and any business to know what that customer is worth if you were to look at their total wallet. And what we were able to do using these scorecard models and simple things, banks – consumer banks tend to do simple things (inaudible), that if you were to give a promo and then get, the incremental spend you get from a customer that has a high (inaudible) you get 2 times more incremental spend than customers who were defined as a low opportunity.

And think of these customers that without these models the bank had no idea – they had no way to estimate who is high opportunity and who is low opportunity. And now with a tool like this, if you know who is going to give you twice the spend with the same promo you know who you are going to go after.

And on the right side what you see is using a similar model, the differentiation of the actions that you take also make a difference. So if you give these customers a higher credit line but less than $1,500 you'll get about 1.8 times the lift of a test versus a control, which is not bad, you are getting close to twice the lift of incremental spend.

But a higher line, $1,500 to about $3,000, gets you four times increase test over control. Now you are getting really interesting. And if you went over $3,000 it is 4.6 times incremental spend. I mean that is better, and I short many of you know bankers on the consumer side, these are unimaginably good lifts. I mean traditionally 10 percent lifts are considered good.

So these are literally game changers in the industry and this is why you really see about 13 of the top 15 banks in the U.S., some of the biggest banks in Canada and U.K., they are all kind of – they move towards these solutions that are driving both their existing customer management and their prospect strategies.

Then probably the last example I would like to use is one of the most exciting examples. It is in the area of media effectiveness. Essentially what we have done here is we have partnered with some very powerful and important media, social media agencies, TV rating agencies and companies that have a great ability to influence the stimuli or the ads people see and to be able to then track what are people watching, what shows are people watching, what ads are people exposed to, in other words the stimuli.

And through partnership with them, and clearly different forms, different partnerships and they all tend to be rich because they are bringing something very unique to the table, something that Argus or Verisk does not have, i.e., what are people watching, what ads are people exposed to.

And you connect that with the great Argus unique capability which is this awesome data set of what are people spending through all the credit card data that we are able to get from all these different banks. That is all stitched to a customer's wallet. So if I pull out my wallet you are going to see three bank's credit cards that I use sporadically, I have my top of wallet, then I have a secondary card, then I have a tertiary card.

And in the Argus database, without my name and address, because we are anonymized, those three cards are all connected and therefore my total wallet spend is known. And that again through anonymized (inaudible) method is connected to what are the ad's (non-advantages) exposed to. And that feedback loop, when you look at the population and you look at all the micro segments that are being targeted, really helps address the 100-year-old dilemma.

It is John Wanamaker dilemma, chances are you have heard it, you just didn't know who it came from, which is half the money I spend in marketing is wasted, the other half is great, I just don't know which half. And for the first time we have taken that on and we can nail it.

So in this example, this is actually a bank's example, and this is television advertisement. The non-exposed population, so these are people that were not exposed to their ad, you saw a 16 percent decrement coming from the pre-advertisement campaign periods to the post, so they were not exposed and there natural tendency to spend at that specific using that specific bank's card was – kind of came down 16 percent.

For the customers that were exposed to those ads one time or more that went up 11 percent. You think 11 percent, maybe it is not that good. But if really the real comparison is the 11 percent against the negative 16 percent you get a 27 percent swing. That is compelling for anybody and bigger than anyone.

And that starts the ad buyers to have a better sense of where is my ad working, the bad sellers to be able to better value the ads that they are selling, the platforms that these ads are sold on and just the value of what we are able to bring through solving these problems is cool and exciting and something we just absolutely love (inaudible). It's changing the industry and hopefully we are not the first people to tell you that.

Switching gears a little bit, how do we – kind of our sales process. It's relatively classical kind of hunting and farming. Hunters tend to focus on new partners, new markets, new countries, new territories where we have no connections. Typically these are through networks of former bankers, a lot of the banks that we typically go into new markets with are banks that we have relationships within our existing markets that opens up doors usually through our partners that tend to be either networks or platforms.

And then we bring these new clients and new markets, typically our flagship product tends to be the syndicated studies, they are coming in to be benchmarking study clients. We onboard their data, the data becomes standardized, it is available for analytical use.

We start having relationships with these clients getting used to what we can do for them beyond the world of benchmarking and they start buying models and they start buying data hosting solutions and business intelligence solutions.

And then when they are looking at their own M&A activities, we get engaged to support their M&A activities and it just spawns off a really good long-term relationship. And then the focus is those clients go into the hands of what we call the farmers or the delivery team and all the delivery team is really doing is managing that relationship with a focus on retention, cross sell and upsell.

And given the expertise of the delivery teams it is not surprising that more than two-thirds of the sales that – the new sales that we're bringing on is through our sales and delivery team.

So a slide on why do we keep saying that we are unique. I did say we are unique because of a combination of our data assets, our capabilities in terms of expertise and domain expertise and our Big Data technologies that are scaled in our own unique way and meant only for the analytics we do.

But it is also the uniqueness of the data. It is not the fact that we get data that is proprietary from the banks, it is the quality and the depth of the data. And let me explain.

When we get credit card data we are getting transaction data. We are getting the dates those transactions were made. We are getting the stores those transactions were made in. We are getting the amounts; we are getting the refunds. The level of detail coming to us is richer than any other entity other than networks such as Visa, MasterCard and AMEX might have. But they only have a Visa, AMEX or a MasterCard individually.

We are the only entity that will then have that level of spend level detail across all the networks. A step further, we get all the account information that none of the networks have but some of the processors have; i.e., what is the price on that credit card or what is the promotion on that debit card or what is the overdraft requirement on that deposit account.

All that level of detail usually just the bank has and its processor has. The processor does not have the right to use it for analytics. Argus uniquely has that ability.

So essentially what I am trying to get to is there is a phenomenal breadth in terms of networks and platforms, there is not a single platform out there that we don't get data from, there is not a single network, other than (channel union pay) which will get, that we don't get data from.

And there are all these deep, deep level of transaction data and account data and master file data that are used to create statements and understand behaviors of clients, where are they shopping, et cetera, that together is a combination no one else really has.

We get over – we track over 1.3 billion accounts a month that are coming to us from all these different sources, about more than 5 billion transactions being sourced to us in a month. And clearly several petabytes of data even when they are super archived.

So kind of shifting pace. What we tried to this year differently from prior years was instead of kind of looking at an outside in view of how big is the analytics market, and the definition of analytics can really vary, we focused on what would the market, the total addressable market be if we only had the solutions we have today. So not the aspirational solutions, we just did what we did today, stop and tried to sell it to all the markets and the banks we would like to.

And we estimated that to be about $500 million. As you would expect, more than 50 percent of that would come from North America, about close to 20 percent from the Asia-Pacific market and then about 15 percent-odd from the U.K. and other European markets. We clearly have the major countries and markets in each of these regions squarely on our radar that we are working on.

So this is kind of a slide we like to use to kind of describe what do we do. This is a slide that you have seen last year and the year before that. Our strategy hasn't changed. We believe in driving the richness of our syndicated studies or the consortium studies because that is our flagship product, that is the beachhead product, that is how we get in with a client.

We want to do more of that in existing countries. We want to bring in new products such as personal loans that we are working on or mortgage. And then we like to take successful launch studies into new markets, so we are really driving the (richness) of our studies to new participants but in different forms – products, countries.

And then we like to use analytic services as an ability to really create that intimacy with our customer so that they can learn to trust us, create those account executives and account relationships through that becomes a channel for selling our high-growth, high-margin and highly scaled solutions, what we call products or software.

So that is the strategy that has worked well for us, we plan to stick to it until something changes radically. And the trick is of course we are constantly working on new products and solutions to bring in that makes it easier to buy, that is turnkey, that is snazzier to look at. And then on the study front, what is the next product that we can bring in that is more adaptable.

So this is a slide of our revenue story in the last three years, particularly since our acquisition by Verisk in the fall of 2012. It has been an exciting story, actually even kind of if you were to predate our revenue growth story for several years before Verisk, we have been in the mid-50s to mid-20s range for forever.

It is really I believe an artifact of a pretty well stated, well-established, well executed strategy of markets and products and then using syndicated studies as a way to establish relationships. So we feel good about that strategy. And I would keep betting on that strategy and I would like to believe that our growth story really validates that strategy in a pretty strong way. Ready for your questions.

Audience Member: Could you map out for us where internationally you are looking to expand the business and where the new solutions that you are going to start to produce? I am just trying to get a sense of what that impact will be for growth rate. And what is the timeframe for those initiatives?

Nana Banerjee: Right, right. So kind of what we are typically looking for to get into a new market is a combination of things. Probably the number one is an established consumer banking industry – and competitive. So if it is one or two big players in the market, chances are they are not going to be interested in the kind of analytics we bring. It is because the dynamics of the market and the expectations of the regulators are different.

The great example for us and a very successful example for us this past year was Australia. We were there in 2013 with one client doing a data hosting solution and by 2014 – through the end of 2014 we had 98 percent coverage of that market. And what really kind of made us so successful is it is a market ripe for analytics, it has ample competition even though they have kind of their top four or top five.

But the competition is significant enough and they also realize, I think the individual banks realize that without analytics like this that allows them to understand their wallet share and market share in a detailed segmented enough way they are really flying blind. And there is a lot of wastage of very important resources, i.e. their own investment dollars.

And so, the analytics – and I think the really – the hurdle for us is for the big banks to understand that they're getting far more value than what they would be getting by being a part of consortia. And that to us – that is how we make our money, that is our secret sauce, right.

And so, once you get there, so that – after the Australia model we are now looking into kind of actively and, as you and I have chatted before, Brazil and Mexico. We have already entered Italy this year and France and Spain in the last year. So some of it is not just about entry, it is about setting foot and creating those top four or five relationships. If you get the top four or five the rest follow.

So my hope is with these multipronged attacks we will have at least one or two more countries. I think that is the pace we would like to set. But I don't want to promise because I could tell you from prior experience some are really good and then some are really painful.

Bill Warmington: Bill Warmington from Wells Fargo. I have got a question for you on the stress testing market. And specifically if you'd talk about how the LookAhead stress testing product backs up against Moody's analytic's stress testing product line. And if you can talk a little bit about that market in the sense of are banks buying both products? Do they have to choose between one and the other or are they just picking one?

Nana Banerjee: Right, fair question. So I am not an expert in the Moody's product, so I will not comment on them. But I will tell you that we have had a large number of big banks migrate towards us. And many of them are switching off the existing in-house solutions or their competing solutions.

So that would make me believe that we are in a pole position to get – to be able to consider ourselves a best-in-class. So I do feel pretty good about kind of the trajectory simply based on the rate at which the banks are coming to us.

Your other question, should they be considering maybe two solutions both in hand and not just one – I think it is a great question because the biggest one have both and they probably have an in-house team of 50 people kind of crunching both and they kind of choose which answers they like, which once they want to present to their regulators.

You know there is an art to it. But the midsize banks, some of them are in the news, they are going kind of squarely with us because they are kind of – they were red carded with the prior one and they did not like that experience.

Manav Patnaik: Manav with Barclays. So just a follow up on the LookAhead software. Maybe I missed it, but it doesn't seem like it is leveraging any of your sort of core credit data syndicated studies. So how did the software come up I guess? Like is it just sort of a standalone side? That is the first one.

Nana Banerjee: Yes. It is a combination of two things. It is advanced math, which is very important to us and a part of what we believe in that we need to have very strong capability. The second is it really makes – so even though it is not a requirement to have proprietary data because of the bank's own data, us having the data makes the sale process significantly easier than one might think.

To be able to say, yes, we can have it and it is turnkey versus, yes, I can do this for you and it will only take a three-month process to get all the data I need in the way you need to get it to me and if you did I will get you the results. So that turnkey element, and it is all portal-based, so there is no – it's no longer about I have to go install software the way it used to be and some of our competitive solutions are.

It is because we have the data, they are basically just telling us we have an SOW intent sign, we start delivering and they are able to use the results. In many cases they are buying resources from us to run the results on their behalf, document the total compliance story for the Feds. So it has spawned into a pretty good strong product for us.

Manav Patnaik: And then on a similar line of questioning, but just like I asked Nadine on the health side. How do you leverage or how do you have synergies with the insurance side of the business? Or are you right now just sort of running on your own silo, just leveraging sort of the analytical expertise versus any sort of synergies there?

Nana Banerjee: Right. No, actually I am one of the lucky ones, I do have a corporate hat And being the Chief Analytics Officer. So chances are I needed to be outside when Scott was talking about a joint development environment which is the various (wide) assets coming altogether. So with (Nick Defan) who is our CIO, and I have had the chance to be involved in creating that enterprise, it is the perfect (inaudible) to be able to do that.

One of the early things that I am personally most excited about is to be able to influence insurance ad buying with relationships and the partnerships we have and the data we have on the banking site. Because a lot of the banking side data we have, most people pay their insurance premium through their checking account or credit cards.

So we see which insurance companies are getting paid, who is leaving which insurance companies to go to whom and therefore connecting all of that data to now to a client that we have one could consider fairly captive because they will always give us the audience – makes for a pretty good compelling outside of the box story.

Audience Member: Two quick questions on the deposits. Does the Fed model use your data? My understanding there is a Fed model and the banks have to run their models.

Nana Banerjee: So we run the models on behalf of the banks, the Feds accept it, the Feds give the scenarios. So our models are all customized and specialized to run all the Fed scenarios and meet all the criteria, soup to nuts, that the Feds have prescribed. To my knowledge every bank that we have supported has been A-OK. And hopefully we get to keep this way. March is a big month, so (I don't want to think about that).

Audience Member: Is LCR an opportunity, the liquidity coverage ratio –?

Nana Banerjee: Yes.

Audience Member: Or is that very fixed in nature? Is that sensitized?

Nana Banerjee: Right, the methodology – the dual time methodology to be able to essentially – to leverage the two elements of vintage and the month – the time on books are – really in their own essence provide two dynamics of how a portfolio is going to vintage over and perform is very core to kind of the math.

And that really lends itself for many other things beyond just the CCAR and DFAST. So that is in the works, but it is not ready yet as being – it is not a selling product yet. But, yes, it is definitely on the radar.

Henry Chien: It's Henry Chien from BMO Capital Markets. As you think about some of the new analytic products are you seeing a shift towards more – in looking at your revenue growth a shift more towards project-based revenues versus subscription, is that –?

Nana Banerjee: Without a doubt – without – yes. Without a doubt, yes.

Audience Member: I wanted to ask about, do you get the skew level data? What I mean by that is like can you tell the blue jeans from the green jeans?

Nana Banerjee: So in an ad hoc basis not so – one of the things that our kind of growth aspirations is, we don't want to just talk about banking data with banks. There is another broader ecosystem that can be created through bringing in retailers into this ecosystem that we support, i.e. banks, for the banks agendas and the regulatory agendas.

And part of that story is to bring in retailers of size that that actually get value from understanding. So if you are a massive retailer you want to know who is shopping at your competitors. And who is spending – who you think is a loyal customer of yours, but spending a lot at someone else's. Those kinds of – and which competitor is it? And what are the times and the dynamics associated with them going to a competitors?

So the retailer has a lot to gain by being a part of the consortia. So the story we need to then make is to the banks as to why having retailers in the consortia is a good thing. And that is the process we are going through and we are (doing) through as in kind of one-off basis where the banks are involved in having an opinion on getting the retailers be a part of this broader ecosystem we are creating.

So on a one-off basis we would have that view. Our mid- to long-term view is that we will be getting that SKU level data from all the retailers and we will have a much bigger more detailed consortium data set beyond the ones I talked about today.

Now we have a separate Verisk business called Verisk Retail and (inaudible) who is here could speak to it. We have Aspect Loss Prevention which is a product for point-of-sale test. And many of those products that are really more fraud oriented do require POS SKU level data to be able to do what we do.

But that is not in the domain of behavioral analytics and decision-making analytics outside of fraud the way I was describing. So I don't want to (inaudible) issues, but I also would to give you a picture that Verisk has multiple ins with SKU data. Did I do justice? Thank you so much. This was great.

Eva Huston: We are going to take a short break. There are box lunches outside so you can go grab a box lunch. And we will start back up at 12:30 and I will give an overview of the financials. Thank you.

(Break in progress).

(Presentation)

Eva Huston: All right, hopefully everybody had a chance to get a box lunch. We are going to get started. I want to make sure we leave some time at the end for Q&A. Just a quick note before I start on the financial review, if you didn't get a copy of the survey, we have them out front and we really would appreciate your feedback before you leave today.

I am Eva Huston, I am Treasurer and Chief Knowledge Officer of Verisk Analytics. And we have spent the day talking about our solutions, how we provide value to our clients. And now I'm going to bring that altogether in terms of the financial review for our Company. And really, as I said in the beginning, it is because we are bringing value to the clients that we are able to deliver these types of results and value for shareholders.

So when you think about our business model, it is a really attractive model. We've talked a lot about a recurring revenue stream, high barriers to entry whether it is through data sets and the industry expertise we have, whether it is through the fact that we are deeply embedded in our customers' critical decision making.

There were some comments as we were talking on the insurance panel earlier about why it takes a while to build a solution like ours. And it is because the other side of that is once we build the solution and it is embedded and what our customers do, they don't want to make a change because of the value we are bringing and also because of the nature of their processes.

What that leads to really is very high customer retention. So 72 percent subscription and long-term contracts, high customer retention, a lot of our revenue is prepaid annually or quarterly in advance leading to very strong cash flow. And as you think about it our relationships also with our customers.

I mean how often is it that a company is able to develop relationships with their customers where they are willing to come and give you information they haven't shared with anyone else and collaboratively build things with you? That is really the power of what we have to at Verisk.

In addition to that, when we think about what does that mean for the end result, the incremental margins on our business are very strong. We often talk about build it once, sell it a lot of times. As Scott said upfront, we are starting with a customer, not with a lot of customers, to build those things.

But once we do and we can repurpose that into the market, what that means is there is very little incremental cost to add a new customer. And that generates the very high EBITDA margins that you have seen. We are also not service or capital intensive.

We certainly invest capital, we have talked about some things like the re-platforming of the catastrophe models into Touchstone and some other things that we are working on. So we don't shy away from doing that, but even when we do that in the type of manner that we have done and created these wonderful products it is still a relatively low percentage of our revenue.

Finally, I would just note that our customer base is also very diverse. We have three primary verticals, strong underlying demand factors. One of the things you will see if you sort of look back on all the presentations, and you saw how we grew, we are growing ahead of the industries that we are serving. And the reason for that is because we are a relatively small part of their cost base and we are actually helping them improve their results.

So we have very strong demand factors underlying what we do. Especially in today's world with data and analytics. I mean it would be very hard to walk into any corporation and offer to help them run their business better using data and analytics and have somebody say, no, that is all right, we are pretty good the way we do it, we just kind of wing it.

Our top 10 customers are 21 percent of our revenue. So, in addition to the vertical diversity that we have, as Scott talked about in the beginning, we also have diversity across the customers. And that means that we have got a lot of stability in our revenue while still being able to grow very nicely.

This is a picture of our track record of growth. This is revenue going back to 2004. As you can see, we have had a very nice stair step up in our revenue to $1.7 billion in 2014. That is a 12.5 percent CAGR. This is really a result of the quality of the solutions we have combined with acquisitions, which you know is a part of our agenda because that is an opportunity for us to bring a new solutions to serve clients.

But I would also say that when we think about growth we do also think about organic growth because we think in order to have a healthy business we need to have a good balance of where our revenue is coming from. You can't just solely feed that through acquiring new companies, but you actually need to make sure the existing businesses you have have strong underlying growth.

If you look across the years, I mean we have arranged in the past five years between 8 percent and 9.5 percent organic revenue growth. I think if you were to look across the market for companies like ourselves, or frankly for most companies, you would be hard-pressed to find that type of organic growth track record.

Also when you think about it, our EBITDA margins – I know there was a question earlier again in relation to how build solutions – well, why don't you just sort of dumb a whole bunch of money and then that will help your growth going forward. We have been able to do and create this organic growth while maintaining very, very strong margins.

If you looked at the S&P 500 and excluded financials and some of the natural resources company, you would see that less than 5 percent of the S&P 500 has EBITDA margins at the level that we have. We are very proud of that and we are also proud though that we are able to maintain that level of margin while investing for the future to drive the organic growth.

Diversity, so I talked about this a bit earlier, we already talked about the subscription revenues. But I would also say when you think about the vertical, risk assessment, which is our heritage business, we will talk about that a bit more, is just a little more than a third of our business today. And that is not because it hasn't grown, it is actually because we've been able to grow and expand and build on our knowledge there into the other segments.

If you were to think about decision analytics, the insurance vertical within that 34 percent of our total revenue, so combined with risk assessment insurance is our biggest vertical, a little more than 70 percent of our revenue. But that is a pretty good for space underneath it. It is insurance companies but also people in the insurance ecosystem who are paying us money because of the analytics we are providing and serving the industry with.

And why is it important to have that diverse vertical base? It is because it gives us more opportunities and pathways to growth. What this chart explains, the bars are actually the contribution to revenue growth, so total growth in 2014 of 9.5 percent. You will see the numbers along the bottom are the actual grade for each of those verticals.

But insurance is 5.8 percent of that 9.5 percent growth, grew about 7.9 percent in the year and, because it is our largest vertical, it is the largest dollar contribution to our growth. However, you will also see that some of our newer verticals, healthcare, financial services, those are also contributing very strongly. And I think as those gain more bulk over the years they will be contributing greater dollars to growth as well.

So when you look at this, this is really why we feel very comfortable that we are going to be able to continue to grow our business nicely over the years because we have got a lot of avenues from which to drive that growth.

Quarters, I know that is always a favorite topic of a lot of people in this room. We have a lot of conversations after quarters. As you know we focus on the business for the long-term. We focus – we often will tell you that it is much better to look at our revenue growth over an annual period as opposed to an individual quarter.

But the point I wanted to make with this chart is I think often there is a lot of discussion about this growth rate and that growth rate and why they shift quarter to quarter. But if you were to actually look at the dollars of revenue you would see there is actually a pretty logical progression here.

So I would just encourage you as you think about our business, because we are managing it for the long term, and because the underlying fundamentals are really long-term fundamentals, that you should also think about the dollars per quarter as opposed to individual growth rates per quarter.

We are always happy to talk about those and explain what is driving those. But I think in order to get the big picture you really need to think about what is happening over the longer period of time.

So Risk Assessment. As I said earlier, this is our heritage. This is a wonderful business. We have a couple of our leaders from our Risk Assessment business here today and you heard them talk about not just the history of what we have done, but the things we are doing going forward. The talent that we are bringing into those organizations and the different markets we are also attacking with the core assets that we already have.

But it is really great to be able to stand up here and say, of the top 100 P&C companies in the U.S., they are all customers of ours. I think that says a lot about the strength of our business, the value that we bring. These solutions are industry standards, they're mission medical and, as I said earlier, these are embedded in how these companies do business.

But that being said, it is really important and one thing that we are very focused on to make sure that we don't just rest on what we have done in the past but we continue to be innovative, we continue to invest in our business in order to ensure that the next 40 years of this business will deliver as good if not better results than we have in the past 40 years.

You can see that over the time period we have had about 5.2 percent growth – sorry, 5.2 percent growth in 2014, nice growth over long periods of time and that is through insurance cycles. One of the questions that we often get is what is happening in the P&C premiums.

We talk about that, but I would emphasize that is not really a driver for underlying growth because of the value that we are bringing, because of the nature of the solutions that we have. And one could actually say that even in tough times in some ways our solutions are even more needed by our insurance company customers.

If you look at our EBITDA margin, again this is – if we parse that out of the S&P 500 this is a standalone, we bank even better than top 5 percent. This is a really high quality business. And I always think when I think about margins certainly we like them because they deliver cash flow, but it is also really just a measure of the strength of the business.

The fact that we can deliver these types of margins on the solutions that we developed many, many years ago and continue to evolve tells you that our customers are getting a lot of value out of this.

So switching over to Decision Analytics. These are large new verticals, we do have insurance in here. And you heard Jim Loveland talk about some of the exciting things that we are doing in aerial imagery. So this is another area where between insurance, financial services and healthcare we think there is a lot of opportunity to grow.

We talked about repurposing of data, the idea of n + 1, and certainly that is in operation around our organization and I would say, especially as we think about the new verticals coming in here into Decision Analytics, this is incredibly important to us.

When we think about the growth here we have 12.1 percent growth in 2014 in Decision Analytics. Over the period from 2010 to 2014, 24 percent CAGR. That does include acquisitions but I would say that the organic growth is just as strong in this as you have seen in some of the total numbers for the Company.

It is also critical, so when we talk about the EBITDA margin, that we continue to invest. We have very attractive margins here. Sometimes we get the question saying, well, if we look at risk assessment margins and we look at Decision Analytics margins you see a differential. That is absolutely true.

I would say that in terms of development we have some newer solutions here, so we continue though to have that same model – build it once, sell it a lot of times and over time scale those margins as appropriate while still investing in the business.

Again I always use the analogy, I say well, if you have a very tall and handsome brother in Risk Assessment even if you are pretty tall and pretty handsome (inaudible) Decision Analytics, maybe the comparison is sometimes in investors mind the challenge. But I would say that the opportunity for growth and the similarities of the business models here make this a very valuable part of our business.

2014, I think you have all seen the results, this was a great year for us. We are very proud of the results in this year. Again, we talked about the organic growth which was 9.4 percent, total growth 9.5 percent. As Scott observed, we did the ASR this year, that is not shown in these numbers, but certainly I think as you look forward to growth in our EPS you will see the benefit of that as well.

EBITDA, growing nicely. We did have some special costs this year. We talked about the transaction costs related to EVT and we also talked about the talent realignment that we did in our industry standard program. Both of those are unique to 2014. And if you were to look at the margin excluding those obviously it would be better. But we are very excited about these results and look to build on them for 2015.

So when we think about how we are going to drive value, how we are going to increase the value to our shareholders and why we are a good investment for stockholders, we think about these four charts. Revenue growth, EBITDA margins, low capital intensity –.

Now I will say that in 2013 we have picked up in capital intensity, but that was for very good reasons in investments that we were making. That is something that we are managing going forward, you have already seen it come down in 2014. You heard us talk about the amount of CapEx that we intend to spend in 2015, $150 million.

I will note that when you think about CapEx don't necessarily think about this as servers although there are certainly things like that in it. There is a large amount of this CapEx that relates to internally developed software. That is about redeveloping our platforms, making sure that we can deliver the best solutions to our customers and we think that is a really good investment.

When you put all that together what does that lead to? Really strong free cash flow. And we will continue to develop that because fundamentally we think that as we grow our cash flow that grows the value of our business.

So what do we do with all that free cash flow? Well, we try to invest it and generate returns for our shareholders. When we think about the priorities for our free cash flow the first thing that we think about – and this is obviously after internal investment which tends to run through the P&L, and would already be encompassed – we think about acquisitions.

But as Scott said earlier, we are thinking about acquisitions that are on strategy. And so we – as you can see in the chart below, in some years that dark blue par for acquisitions is larger and in some years it is smaller. That is because we really need to be driven by our strategy in terms of the acquisition program.

Second, we think about buybacks. We have chosen to return cash to shareholders via buybacks. The reason why we like that approach at our current state of development is because it gives us flexibility. When you are on an acquisition program acquisitions don't always come at designated times, they – opportunities present themselves. And being able to adjust our share repurchase program so that we are ensured that we are not crowding out acquisitions is very important to us.

If you look over time this is probably a little bit more balanced towards share repurchase at 62 percent. Because as Scott mentioned earlier, we did the Accelerated Share Repurchase of $500 million in December. As we had accumulated cash in anticipation of the acquisition and that became an acquisition that didn't make sense to continue to pursue, we thought it was appropriate to return that cash to shareholders and that is what you see reflected in here.

So when we think about what does that mean to say we are a disciplined capital allocator? What does that get our shareholders? What that does is it generates a really, really good return. Our annualized return on our M&A program since 2002, which is as far as we go back here, is about 20 percent. That is about $1.4 billion of value.

I will point out, and those of you who know Verisk well know that we tend to be a bit conservative in how we present things. We – this math that we have done on the return here values all these companies that we bought at a 10 times EBITDA multiple. Clearly you know that we at Verisk trade at a higher multiple than that in the market today.

This is not intended to say that we think that is the value of those companies. What it is really intended to point out is how we are looking to generate value is by generating cash flow. And we are (technical difficulty) looking at multiple arbitrage as an opportunity to create a value here, what we are looking at is fundamentally strong data analytics businesses that are build it once, sell it a lot of times and generate cash flow.

And when you do that that is what you do, you generate great IRRs. And so we want to continue to look for acquisitions that are in the same type of strategy, same type of business model as the ones we bought here so we can continue to generate those type of returns for our shareholders.

Similarly though, as we think about share buybacks, we look at that actually in a similar way that we do in terms of the returns to our M&A program. In that we are not looking at this as an accretion dilution (map) because when you can borrow money at 4 percent or less and tax adjust it at even lower and you can buy your shares it is all accretive.

But what we are looking at, the way we run our buyback program is we are thinking about the price of the shares we are buying today and we are thinking about the value of those shares into the future based on our ability to grow our business.

When we think about that these are the types of decisions we make. In 2014 excluding the ASR we bought about $275 million worth of shares, average purchase price of about $62. When we look at our buyback program since May 2010, which was when we initiated the open market program, we've generated about a 21 percent IRR across those. That is a return above the purchase price of about $1.3 billion, actually pretty similar to the amount that we've generated with regards to our acquisition program.

So we continue to remain disciplined about this. As I said, we want to ensure that we are building our business first through acquisition as well as internal. But this is a great opportunity for us to ensure that the capital that we have available to us, both through our free cash flow and our debt capacity, is invested appropriately to generate returns for our shareholders.

With that I would just make a quick comment on capital structure. Today we are levered at about 1.7 times debt to EBITDA. That is lower than targets that we have talked about, but again there is variability and timing and so right now we are below targets. We are well within our covenant levels and we have a very nice maturity profile in terms of our debt.

I know your equity holders – or actually we may have a debt holders here – might say, well, why is this interesting to me? The reason this is interesting to you is because we have a lot of capacity. And as we think about our opportunity to capitalize on our strategic acquisition program it is really important for us to be able to go and be ready to buy companies when they are available without needing to go get the money.

So we have structured our portfolio in terms of maturity profile, in terms of our unused bank line so that we can be proactive when a situation arises and make sure that we are able to execute in a very short period of time. This is a competitive advantage for us as an investment grade company with access to capital; it is a competitive advantage to us in the acquisition market.

So with that I just thought I would close before we open the floor and call Scott and Mark up to answer questions that you may have had after the day, is just kind of close the financials around our history. As we know, we started as a not-for-profit back in our founding in 1971 and we started with great data assets.

I mean I always say that ISO was just born in an amazing way, not many companies are born that way. And sometimes we get that question, well, why can't you just do that again? Well, trust me, if we can we would love to do it. But I think there are other ways to develop and grow.

And as a result of being born that way we actually have done a lot with what we started with. We started with some great assets. But I think moving through the culture change, moving through the expansion in our business to further ourselves in both the insurance vertical as well as our other verticals and then really focusing on innovation.

I mean like the panel we had up here. Everyone was asked to give their best app or idea or product that is coming forward and we have a lot of those. And that is really important because the other corollary to what Scott said earlier in terms of the development of businesses and data analytics and the time it takes is also we can have an excellent data analytics solution that may not – it is not going to be a $3 billion business on its own.

And so, it is really incumbent upon us in order to continue growth to continue to develop those solutions that go into the customers' hands. That is something that we have been very focused on.

And then as I think forward and I think about the Verisk way Scott shared with you upfront, really the idea of being the world's most effective and responsible data analytics company is really important to us. And it is something that we kind of keep in our hearts as we are moving forward and trying to drive financial results.

The opportunity to expand the international presence, we talked about that a bit today and we are doing that. And I think that that is an exciting opportunity for us, one that will continue to bear fruit over time. And really essentially in the end what we need to do is we really need to effectively manage our capital for all constituents.

I think we have had a very supportive shareholder base, I think we have been very responsible with the capital that our shareholders have allowed us to manage and we really just want to continue on that path as we go forward. Because we think that if we continue to do that we will continue to develop and have the types of results that we have had to date.

So with that what I was going to do is ask Scott and Mark to come up and we can take your questions.

Audience Member: So I have one question for Mark and then one for Scott as well. So first on the margins, that you have talked about 45 percent to 47 percent range, staying in that range. I just wanted to clarify that messaging and especially since after you reclassified the healthcare revenues it obviously jumped up higher. So if you could just remind us of what range and what we should be thinking going forward?

Mark Anquillare: So, one, I think we have talked a little bit about some of the dynamics of the perspective assessments inside healthcare which will be a good news to the margins, will not affect the bottom line. So that will affect us in 2015.

And if I was to normalize for that, we have good feelings about margins, we think there will be more margin performance, we've talked about that for all of our businesses. We have leverage to the extent that we sell a new product, not a lot of service components or implementation, so that drops to the bottom line. Offset by obviously some investment, but I think we feel good about some margin expansion as we look forward to 2015.

Audience Member: All right, thank you. And then on the M&A agenda, I guess we got a good glimpse of how a lot of the (inaudible) talking to each other and aspirationally all these sort of ideas that they want to work with.

When you look at your future M&A pipeline and so forth, are there – like is it all about sort of the deep analytical expertise that you can leverage (inaudible) or are there any verticals that are out of reach or is there no sort of limitation in terms of which vertical you can get into?

Scott Stephenson: Well, the M&A agenda really serves multiple purposes for us. A very good use of M&A dollars over the last decade has been to actually deepen our analytics. And so, I would definitely continue to expect that to play a part. We have never excluded other verticals. And our thinking about that is we want to be doing things that leverage what it is that we already do today so that the whole is presumably greater than the sum of the parts.

And I would also say that given our desire to become a company with a greater global footprint that would be a consideration inside of how we think about all of that. But fundamentally it starts with the quality of the business and the relatedness of the M&A target to something that we are already doing today. That is the essence of it being strategic from our perspective.

Alex Kramm: Hey, Alex from UBS. I think my M&A question was just answered, but maybe if you could give just some more details around the other verticals that you would be interested in, obviously without getting too specific, but areas like energy, metals, things like that. So if there is anything you can say about verticals you are particularly interested in.

And then my second question, really a different topic, but can you just broadly talk about pricing a little bit more? I think it came up a couple of times. But when you look across your businesses where you think you have the most pricing power, to what degree you think it is going to be part of the organic growth and where there might be some pressure?

Scott Stephenson: So, we consider it a little bit a little bit of the secret sauce to the thought process around what if any additional verticals might be a part of what we do. So I am not going to comment on them specifically or name any of them, but just generally I would say again that we definitely test things for relatedness to what it is that we already do today.

With respect to pricing, there are probably some differences across the various parts of our business, but I would say that there is definitely a price effect inside of most everything we do, you would find it in all of the vertical markets.

We have a number of different revenue models and so pricing kind of expresses itself differently. Sometimes it is per transaction kinds of fees, more frequently it is when we hit anniversaries of subscription agreements, how do we set the price.

And it is never just the price effect because between, for example, with a subscription product between when it was signed last time and say three years later when you are at the renewal, that product has had a lot more content put into it. We don't – we are not the kind of content company where it is Moby Dick and we are just publishing the same Moby Dick every time.

I mean, any solution which looks the same is actually very dynamic underneath the covers. And so, I would say there is a pricing effect at work broadly across the business. But it is also not – it is not the longest lever and it's certainly not the only lever in terms of our revenue growth.

Andrew Steinerman: Scott, it is Andrew Steinerman. You mentioned the possibility of international acquisitions. I just wanted to at least remind myself, I believe there is nobody like Verisk in insurance outside the United States. Maybe just give us a review. Are there Verisk like insurance/data analytics companies outside the U.S.?

Scott Stephenson: In the P&C space there really are not. And we've – it is very logical to think that way. So we have spent a good amount of time on that. And I think there are two reasons and actually the two reasons relate pretty strongly to one another.

So one of them is regulation. And I don't know if I've said it in this setting before, but I have never seen an industry segment within a national economy which is more open to data aggregation than the United States property and casualty insurance industry. There was regulate – there were acts of Congress going back to 1945 to actually encourage the insurance industry to aggregate data and analyze the aggregates.

So you couldn't have found a better framework, a better environment, which has led then to an industry structure where – I mean I think there is a reason why we have 1,000 insurance companies in the United States. But when you count like money center commercial banks there aren't that many or it is very concentrated.

I think the reason is that we do what we do. I won't say that is the only reason. I think another contributing factor is that regulation exists at the state level so there is kind of a complexity inside of all of it. But basically you have got this combination of regulation and market structure which combine to make it the case that in U.S. P&C there is a great tradition of data aggregation and I think that that – and that whole construct I think is very solid, very sound.

Market structure and regulation are different almost everywhere else basically. And so, you just find that the starting point is fundamentally different. And for that reason we looked hard, but there really isn't – there really is not a Verisk ISO equivalent around the globe.

Bill Warmington: Bill Warmington from Wells Fargo. You mentioned, Scott, in your opening remarks – you touched on entity resolution as an opportunity. And there are a number of solutions out there in terms of biometric solutions, the credit bureaus are looking at using credit data for that.

What is the opportunity there for you guys? That is the first question. And the second question is if you could talk a little bit about the pool data initiative. On paper it seems like a potentially very large opportunity. What is the next step there?

Scott Stephenson: Yes. So entity resolution is – that is a great question. Fundamentally the difference for us is that we can use our own data in order to drive a lot of the precision and sensitivity inside of the analytic. And we like that for two reasons.

The first reason is we don't have to use somebody else's, and so it is actually cost-conscious for us to be able to use our own data to parameterize entity resolution.

But the second reason is – and you mentioned the bureaus. So at various points in time and in some cases to a greater extent and then in some cases to a lesser extent the use of other data points or even analytic objects has been kind of a hot potato. So credit inside of insurance for example has been debated a lot and sort of a little bit of an up and a down sort of a thing.

So to the extent that we can resolve entities using our own data and not make use of other content that might in varying degrees be – well, anytime that you are using somebody else's content you always wonder a little bit about security of that supply, sometimes there are regulatory concerns around them and then there is just the ability to sort of avoid paying someone else to use their entity resolution methodology. So we really like it for all those reasons actually.

Bill Warmington: Second question?

Scott Stephenson: Yes, pool data. So I was glad that Nadine spoke to that. It is obviously where we live. I mean it is just – this is the kind of thing that really makes our business hum. And what is next is just more participants basically.

And it is kind of one of those classic virtuous circles where as we get more in the quality of the analytic goes up which hopefully will encourage more to come in. And I think it was Mark that mentioned …

Mark Anquillare: Yes.

Scott Stephenson: – that we can aggregate medical data from within the P&C line, I just want to really underline the importance of this. So with bodily injury claims inside of the P&C world, we can actually – we are mining medical data from those as well. But mostly – well not mostly – entirely for P&C purposes in the first instance.

But now we can ask to get those data sets talking to one another. So it is really just – it just more basically. It is proving out the value and just additional participation. And we are really excited about it. Yes, you are welcome.

Audience Member: Given the comment on the software dev CapEx, what software platforms are in late stage pre-commercialization development right now and do you automatically get a direct price lift when they get rolled up?

And then a second question, there is a long list of what the killer apps are, the (inaudible) use cases. Which of those or other solutions at Verisk are kind of at the front end of that adoption curve where you really see the acceleration?

Scott Stephenson: Well, I mentioned up front the two platform – re-platformings that have really been the most important for us which have been Touchstone in the cat modeling space and ClaimSearch 2.0 in the claims fraud fighting space. And both of those – well, as you heard from me, there has been tremendous pickup in the P&C market on the cat models. And 2.0 isn't quite yet ready for Broadway but it is getting there.

And the – what you would really want to do is to sort of dollar weigh the rate of – sort of takeoff on those different product sets. We haven't really put that out there. But I really like the way that the panel answered it which is there isn't just one actually. There are a number –.

And if you want Verisk Analytics to grow it has got to be broad-based across a wide number of solution sets because we do such a wide variety of things, there is no one long lever, there is no one thing that represents 70 percent of our revenue. We are very distributed in that way, very not concentrated.

So, we need to – we actually need all of these things to grow in order to be sort of our best Verisk. So I really wouldn't put just any one at the front of the line.

Audience Member: I guess just following up on an earlier question about – you got asked about margins and you said you feel good about margins in 2015 I guess. Can you characterize to what extent are you leveraging investments in that or depressed margins in parts of the business that are just recovering in 2015 versus kind of a multi-year view here?

To what extent are you at a point where investments have been made in new platforms and new products that you are at a stage where you are better positioned to leverage those and let the inherent margins of the business start to flow through more during the next few years?

Scott Stephenson: You want to start with that one?

Mark Anquillare: Sure. So I think what we have always tried to describe is that we are very disciplined around this topic. So if there is an investment idea we really think the best way to think about that investment idea is what kind of cash flow are we going to kind of bring back to shareholders and our stakeholders over the course of many years.

So we are not overly concerned about what happens in margins next quarter. But the reality is a lot of the investment we made kind of maybe peaked toward 2013 and I think all the businesses in and of themselves have natural scale to them.

So I don't see over the next three years anything that spikes or causes us to really have to rethink. I think we are on a nice run rate, I think we have a nice combination of how do you kind of drive performance. It is a combination of let's continue to invest in the future and at the same time let the natural scales in the businesses run out and drive cash flow and some margin.

So, I am not sure I answered your question specifically, but what I keep trying to describe is I think you will find margin performance is kind of a focus of us and Verisk over the course of the next couple years.

Eva Huston: Wow.

Scott Stephenson: Easy.

Eva Huston: I guess we answered all of your questions.

Audience Member: Well, just on the healthcare side of things. Can you help us frame – obviously it's a massive market, there is a lot of players, everyone talks about having data. Can you just help us frame anecdotally like how much data you guys have versus the competition? How much do you need?

Like is it basically all about this pool data initiative that will get you there? Just some flavor around how we should expect that trajectory of your – the key data behind all the analytics on the healthcare side.

Scott Stephenson: Well, and maybe we could give a mic to Nadine who is in the back. Did you hear the question, Nadine?

Nadine Hays: I think I did. You wanted some perspective on our data rights and data assets more broadly, is that correct? OK, sure. We do – yes, so we vigorously negotiate data rights in every contract, we do not always win. There is an enormous amount of sensitivity to PHIs, patient data, as there should be.

With that said, we do have a proprietary data asset of about 16 million lives that we use to build our data analytics and so forth. We have done a number of studies, you may have read the hotspotter we did with Atul Gawande, leveraging that data asset. In addition, we have a sizable data asset, as you know in the alliance of an additional 16 million lives that we have.

We also leverage third-party data assets. For instance, when we calibrate our models or augment our benchmarks we have a benchmarking capability internally, but we will augment that for purposes of getting industry specific or certain geographies where we don't have enough intensity.

So we do have a lot of data within the organization that we do have rights to for purposes of analytic development. The one thing we cannot do is sell the data. We don't sell data. So, does that answer the question?

Scott Stephenson: I think so. And just an additional thought and I would be interested in your reaction to this. Just kind of in the wash of all the planning and strategizing that we do we are always looking for additional distinctive data. I mean that is the last panel, but in some ways the most important panel inside the Verisk way. And the very first statement is proprietary data assets. So we are always in pursuit of that, always.

But I would say that I think sort of the dead center of our radar screen right now where the healthcare world is concerned is more around value based analytics. Or maybe to put it differently, I think we have (technical difficulty) to do what it is that we want to do. Can we improve based upon additional data? Yes, absolutely.

But I think that the – really the – sort of the action in the business over the course of the next couple of years is going to be about the deepening and upgrading of our analytics, I don't know (multiple speakers).

Nadine Hays: That is a very important point. Particularly when you look at some of the health plans we work with. They might have 20 million, 30 million members in the plan. So that is an enormous data set in and of itself.

So when we work in partnership with them, while we may not have the rights in all cases to repurpose their data, we still have so much data we are working with for purposes of analytic development. So healthcare operates a little bit differently in that regard. But with that said, we do have quite a store of data for our own proprietary purposes.

Scott Stephenson: Thanks, Nadine.

Eva Huston: All right, it looks like we have a few more.

Alex Kramm: Hey, Alex Kramm again. Just coming back to the margin, but also on the spending. Can you just remind us this year when you look at your CapEx budget what the biggest projects are going to be? Like for example, how does the imagery fit in there?

And then also where there could be some upside or downside given anything that you might see on the CapEx side where you might want to through more investment dollars or less depending on initial outcomes and things like that?

Mark Anquillare: So, first about what we said is that the CapEx spend in 2015 is going to feel a lot like 2014. So we have a consistency there. As we think about our results as a whole we are focused on free cash flow and our CapEx number is very much part of our thinking.

Where are we going to spend? We continue to spend and extend Touchstone, we continue to talk about that. There is more opportunities and more extensions there. We spend inside of healthcare trying to bring the solutions both together and enhance and embrace the analytics framework and analytics platform that Scott just highlighted and Nadine kind of seconded.

We are focused on data center consolidation. I think there are some ways we can continue to save money by being more effective and more efficient, that also adds to the compliance side of things which is the second component to that spend. What keeps us awake at night? Well, we are going to be the best at compliance around stewarding that data and that is a couple of the major themes of 2015.

Audience Member: Can you just talk a little bit about specialized markets? When do anniversary the government headwind? And do specialized markets, some of those domains ever become significant to Verisk as a whole? It feels almost like the Apple TV (inaudible) where it is kind of a hobby in the organization and you kind of need a breakthrough to make it more meaningful. What needs to happen for specialized markets or one of those domains to become meaningful?

Scott Stephenson: Yes, so for those of you who don't know, there are effectively two things inside of specialized, one is our environmental health and safety data and analytics business. And the other is our remote sensing, which is satellite-based, and the latter is about – it is not half of the segment. And it is in that place where a very large government contract has been sort of cycling.

It's basically – it is a little bit like ILCs, MLCs and software where you do a lot upfront and then there is kind of this maintenance piece. And so we have sort of moved from that initial blip into the maintenance mode. And we are kind of done with that. And we did say on the earnings call that we expect the segment to be growing in 2015 on both a reported and organic basis.

So substantially we have cycled through it. But I think the sort of the deeper part of your question actually is if we look at that environmental health and safety business, it is almost like it is – it is cat modeling potential because it's global and it is a set of issues that everybody faces with one difference, which is at the moment at least there are large fractions of the global economy that kind of don't feel that responsible for actually conforming to regulations as it relates to environmental health and safety.

So something that would be very helpful would be if some of the world's largest emerging economies really got serious and their companies got really serious because we have got great solutions. But that business is growing solidly. We like it to grow at a nonlinear rate. We are trying to make the solutions better and I think we are. A little shift in the environment would help also.

Eva Huston: Great. Well, I think with that we will wrap. The solution demos will be available for a period of time after we close. So if you haven't had a chance to review those, (David Cohen) is waving the survey in the back. So please, you can fill that out for us. And thank you, everybody, for coming today especially in the weather, as is our grand tradition, and we look forward to talking to you soon.

Mark Anquillare: OK, thank you. We appreciate you being here.

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