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PRESENTATION

Operator

Good day, everyone, and welcome to the Verisk Analytics First Quarter 2018 Earnings Results Conference Call. This call is being recorded. At this time, for opening remarks and introductions, I would like to turn the call over to Verisk's Executive Vice President and Chief Financial Officer, Mr. Lee Shavel. Mr. Shavel, please go ahead.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thank you, Chris, and good day to everyone. We appreciate you joining us today for a discussion of our first quarter 2018 financial results. With me on the call this morning are Scott Stephenson, Chairman, President and Chief Executive Officer; and Mark Anquillare, Chief Operating Officer. Following comments by Scott, Mark and myself highlighting some key points about our financial performance, we will open the call for your questions.

The earnings release referenced on this call as well as the associated 10-Q can be found in the Investors section of our website, verisk.com. The earnings release has also been attached to an 8-K that we have furnished to the SEC. We also filed an 8-K on April 26, 2018, with a description of our business segment recasting. A replay of this call will be available for 30 days on our website and by dial-in.

Finally, as set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

Now I will turn the call over to Scott Stephenson.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Thanks, Lee. Good morning, everybody. The first quarter was another example of our team achieving a high level of organic revenue growth, which remains the most important measure of our vitality as an organization. This growth was a product of our traditional multilevel growth plan, including: first, the development of new customers for existing solutions, such as was seen in our claims analytics platform; secondly, the cross-selling of our existing solutions to existing customers as seen in our imagery solutions and upstream oil and gas analytics; and thirdly, new products, including insurance data hosting.

Over the last 90 days, I was particularly impressed by the quality of our engagement with many large leading customers, resulting in real-time business wins and opportunities into the future. We continue to enjoy visits from the most senior leaders of some of our biggest customers, who are looking to get closer to our pipeline of innovations. We held the largest gathering in our history for customers of our catastrophe analytics solutions and were impressed again with the level of engagement and input from our clients. Our results in the energy vertical in terms of renewals exceeded our expectations.

I'm pleased to have welcomed Lisa Hannan into leadership of our Verisk Financial Services vertical. Lisa has been making a difference at Argus for over 8 years, having led many of the different departments over time. Her background in the cards industry, having held senior positions at Chase and Citi, gives her deep domain knowledge and high standing among our customers. I'm really excited about teaming with Lisa to take Verisk Financial to new heights.

The integration of our 2017 acquisitions continues apace. I was with the Sequel team a few weeks ago, including executives from both London headquarters as well as the development team in Málaga, Spain. Sequel is well seeded into Verisk and already demonstrating new software capabilities formed through integration with other parts of Verisk insurance. PowerAdvocate is also well grounded in Verisk, and there is a growing pipeline of cross-sell opportunities being actively pursued with WoodMac. Mark will comment at length about the insurance vertical, so I want to take a moment now on the Energy and Financial Services verticals.

In Energy, a generally positive set of near-term subscription renewals was dragged on by developments at 1 large customer, an investment bank, that has fundamentally rethought their participation in the energy vertical. This development is entirely about their business, not ours. In general, we are in investment modus as seen on the cost line in our reported segment results. The energy space, for all of its scale, has not yet been transformed by the kind of data aggregation and modern analytic methods that characterize the other markets we serve. And the need has mounted since much of the recent news in the space has been around unconventional plays, which have much shorter planning and execution cycles. This is a unique moment in which Verisk is aspiring to an even greater leadership position in the space through our WoodMac 2.0 project, which is about transforming our data assets by more thoroughly integrating our existing data along with access to data sets we don't use today. By the end of 2019, WoodMac will be fundamentally more capable at a dramatically higher level, in part by leveraging methods and resources from Verisk, including our cloud-first tools. This major step forward in our capabilities will strengthen an already improving picture as the end market continues to firm up and large customer relationships are yielding good results on renewal. We continue to expect that the energy vertical will contribute meaningfully to achieving our corporate growth targets.

In Financial Services, we continue to view 3 parts of the mix as carrying a lot of our future growth, those being media effectiveness, data hosting and regulatory solutions. There were several positive signs in Q1, first on the list being 14% growth in media effectiveness solutions. This category continues to carry a great deal of promise since there are many ways to repurpose our proprietary consortium data. On the other fronts, in the quarter, there were a few factors that moderated growth, one being the thesis relationship we previously reported. The relationship is good, but the implementation leading to additional new sales will be completed 1 to 2 quarters later in 2018 than originally expected. On the regulatory solutions front, banks are facing increased scrutiny of the models behind their compliance, and so model governance processes have moved to require more productized solutions and we are quickly responding to this trend. In general, Financial Services presents attractive growth opportunities.

In addition to always looking for new opportunities to grow revenues and the business, we are also constantly evaluating ways to improve the company. To that end, you will have noticed recently 2 significant changes. First, as investors have seen in our proxy, this past quarter was our first under a new program of compensation for our senior executives. We have tightened the metrics used to set award levels to more directly track our key measures of organic revenue growth and organic EBITDA growth and have tied equity awards more closely to our achievement of shareholder returns over a multiyear period. These modifications are a further expression of our commitment to generating shareholder value. Second, this is our first quarter reporting our results in a fully vertical mode. Our presentation represents the current view of how we think about the business, and I appreciate the work Lee and his team have done to get us to this point. In general, we believe in the long-term potential of all 3 vertical markets to yield growth at or above our corporate target.

Over the last 5 years, ending in 2017, Insurance has grown at the corporate target. Financial Services has grown materially above the target, and Energy has been about 150 basis points below the corporate target in light of a historic cyclical downturn combined with the Brexit. Over the same 5 years, our competitive position has strengthened. The essence of what we do every day has helped companies harness data and analytics to improve their operations, decisions and performance. This is one of the major themes of what is going on in the global economy and, in our view, will continue into the foreseeable future. We are swimming with a strong tide. And so as long as we remain close to our customers, add to the talents of our team and keep pushing to bring new value into the world, our business will continue to expand. I saw good evidence on all these fronts in the past quarter.

I will now hand it over to Mark for a few comments on the Insurance business.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Thank you, Scott. In our Insurance business, we had another very strong quarter with all insurance-facing businesses, underwriting and rating and claims, contributing to growth. Let me highlight a few areas that drove top line growth and update you on several initiatives that better position us for future growth.

Underwriting and rating consists of, one, our ISO business unit, including industry-standard insurance programs, property-specific underwriting and rating information and our personal lines underwriting solutions; two, our extreme event models from AIR; and three, our insurance software solutions from Sequel. During the quarter, underwriting and rating delivered strong organic growth across extreme event modeling, personal lines underwriting and industry-standard insurance programs through a combination of cross-sell of existing solutions to new customers and the sale of new innovative solutions. The insurance industry is driving towards automation, and the key to these efforts is high-quality data and predictive analytics moved forward to the point of sale in the process. We are leading the way in helping insurers achieve this goal of flow business in personal and increasingly commercial lines. This industry change has translated to growth in our personal and commercial underwriting solutions as well as our growing reputation as a thought leader in the industry.

Our announcement of SmartSource prefill to streamline property insurance quoting is an example of high-quality data and analytics at the point of sale, leading the industry towards a more automated future. This type of solution improves the initial quote for an agent or a consumer when they solicit an insurance quote online. ISO also announced the addition of Hyundai to the Verisk Data Exchange, our growing data lake of telematics and IoT, or Internet of Things data. The proprietary Telematics database now includes General Motors, Honda and Hyundai, representing 32% of the U.S. auto market. Again, the future of underwriting will be dependent on access to information on driving behavior and detailed rating variables, such as miles driven, that can automate the insurance quote. This Telematics data can also drive automation in the claims adjudication process.

AIR continues to extend its solution set beyond property catastrophe modeling to a broader set of extreme events. During the quarter, AIR announced our collaboration with RenaissanceRe to develop the first probabilistic model for extreme liability risks. In addition, our fund designation solution was selected by Hudson Crop to help manage and optimize the risk in their crop portfolio.

Finally, the strong collaboration across ISO and AIR continues to expand our cyber solutions to a commercial cyber liability and insurance market that we estimate will exceed $6 billion by 2020. Our cyber extreme event models are gaining traction in the industry, while our industry-standard insurance programs for cyber are now filed and implemented in 42 states. These new solutions allow our customers to grow and underwrite new risk in the fast-growing cyber insurance market.

I'm pleased with the synergy opportunities that have been generated from our acquisition of Sequel. At the recent AIR customer conference, we showcased our seamless integration between Touchstone and Sequel, demonstrating the power of combining the solutions to providing interesting cross-sell potential. In addition, Sequel has provided a great asset to illustrate the power of ISO data to the London market syndicates. Impact, Sequel's business intelligence tool, has provided powerful data visualization of the ISO data and analytics for U.K. syndicates who have been plagued with suboptimal information about their portfolio of risks. Our international ambitions will be more easily achieved by the exceptional solutions and London market expertise of Sequel.

Our claims businesses include claims analytics, one, our fraud prevention solutions featuring ClaimSearch; two, Xactware, our suite of solutions focused on loss quantification and repair cost estimating; and three, Geomni, our cutting-edge remote imagery business. Claims experienced an exceptional quarter with organic growth across all business units through a combination of cross-sell and the sale of new solutions. Like underwriting and rating, the insurance industry is focused on automating the claims process to drive towards right-touch claims handling, where less complex and smaller dollar claims are handled with limited manual intervention. Our claims business is on the forefront of this evolution. We have been successfully expanding our insurance fraud prevention business, Claims Analytics, by broadening our use cases and licensing our anti-fraud analytic tools to automate our customers' claims processes. As an example, Nationwide Insurance licensed and implemented, ClaimDirector, our advanced fraud scoring tool that provides fraud indicators at the first notice of loss for each incoming claim and provides subsequent updates as new information is gathered. The tool also features an interactive business intelligence dashboard that provides key claims information to claims adjustors and managers.

Xactware, our repair cost estimating solutions, continue to deliver strong organic growth, driven by new sales as well as continuing tailwinds from the extreme weather in 2017. Our repair cost estimating tools have always driven automation in the claims workflow, and our claims experience solution takes automation and digital engagement to the next level. During the quarter, Hanover Insurance adopted ClaimXperience, a suite of online and mobile solutions that helps our insurers' customers interact remotely with their policyholders to more efficiently settle claims.

During the quarter, Geomni, our business that harnesses remote-sensing and machine-learning technologies to provide information about residential and commercial structures, launched a new mobile app for ground imagery and drone inspections. The new app enabled users to collect ground imagery and other data directly from their mobile devices or to conduct complete inspections.

These images and resulting data packages seamlessly integrate with other Verisk offerings across claims, underwriting and catastrophe modeling. We are winning customers and making strong progress because we deliver unparalleled image quality, improved accuracy and automation in a safer and cost-effective process. The exciting part of this mission is that these advanced analytics are applicable to larger markets beyond insurance. Across the board, both from a market and financial perspective, we're very pleased with the performance of the insurance business.

With that, let me turn it over to Lee to cover the financial results.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thank you, Mark. First, I'd like to bring to everyone's attention that we have introduced a quarterly earnings presentation that is available at our website. The presentation provides some background, data, trends and analysis to support our conversation today, and I will refer to it throughout my comments. Secondly, we announced on April 26 a business segment recasting and provided historical revenue, EBITDA growth and margin information on the new segmentation basis. We have recast our prior 2 business segments of, one, Decision Analytics; and two, Risk Assessment into a more industry vertical-oriented segmentation of, one, Insurance; two, Energy and Specialized Markets; and three, Financial Services. Further, within Insurance, we will provide revenue detail for underwriting and rating and claims. On Page 3 of our business segment recast announcement, you will find a mapping of the primary businesses included in each business segment and the insurance businesses within the underwriting and rating and claims categories, which is also included in our earnings presentation.

I want to note that we have provided growth and margin information on the reported organic and organic constant-currency basis for the past 8 quarters and prior 3 full years. This provides a substantial historical context for the performance of the segments and goes beyond what is required from an SEC reporting standpoint. Consequently, with ample historical data on a comparable basis, we will not be providing individual segment growth or margin targets but will rely on our previously communicated consolidated long-term financial targets of organic constant-currency growth of 7% on average over time and organic constant-currency EBITDA growth above revenue growth, reflecting EBITDA margin expansion.

Moving to the financial results for the quarter and referring to Page 4 of the earnings presentation. On a consolidated and GAAP basis, revenue grew 16% to $581 million. We had adopted the new revenue recognition standard, ASC 606, in first quarter 2018, and the impact was immaterial to our results. Net income increased 22% to $133 million for the quarter, and diluted GAAP EPS was $0.79 for the first quarter 2018, an increase of 23% compared with the same period in 2017.

Having presented our summary GAAP results, I will now shift to a focus on our organic constant-currency results for the next few minutes for all year-over-year revenue and EBITDA growth rates consistent with our financial targets and to eliminate the impact of currency fluctuations and recent acquisitions for which we don't have full year-over-year comparisons. Acquired revenue and EBITDA in the quarter from all deals that haven't moved into organic results were $37 million and $2 million, respectively.

As shown on Page 5 of the earnings presentation, Verisk demonstrated very solid growth performance and momentum in the first quarter. Revenue growth of 7% was consistent with our long-term targets and was our third consecutive quarter at 7% or higher. We also continue to remain disciplined in our expenditures as EBITDA expenses grew 6.7% below our revenue growth. Consequently, EBITDA grew 7.4% for the quarter on a year-over-year basis and reflected stable organic EBITDA margin of 49% in the first quarter including continued investment in several internal opportunities, including Geomni, most notably. Excluding just Geomni as one of our significant breakout investment opportunities, EBITDA grew 7.9%, demonstrating the operating leverage at Verisk before the impact of significant internal investments.

Let me now turn to our segment results on an organic constant-currency basis, as we've described. As you will see on Page 11 of the earnings presentation, Insurance had a strong quarter with 8.7% revenue growth with underwriting and rating contributing 6.9% growth and claims contributing 12.6% growth. The positive financial impact of severe weather on our business in the fourth quarter spilled over into the first quarter and contributed about $2.1 million in repair cost estimating revenue. EBITDA for Insurance grew 9.7%, reflecting an increased organic EBITDA margin of 56.3%, up from 55.8% in the prior year.

As shown on Page 13 of the earnings presentation, Energy and Specialized Markets produced revenue growth of 3.1% for the quarter as the energy business continues to recover. Revenue growth represented stable research activity, continued strength in consulting, regulatory products at 3E and momentum in our breakout initiatives. EBITDA was down 5.9% due to investments we are making in the WoodMac 2.0 initiative and our chemicals, subsurface, power and renewables and analytics breakout initiative that increased headcounts and associated compensation expense. These areas represent opportunities to leverage Wood Mackenzie's data and industry expertise more broadly and deliver and develop products more swiftly and efficiently.

As I've come up the learning curve on the company and have listened to questions from investors on WoodMac, I've analyzed the current margin of the Energy and Specialized Markets segment of 27%, relative to what I understand from investors was a reported preacquisition margin for WoodMac of approximately 47%. There are several components that drive this current differential that I will identify and try to quantify. Starting with the reported Energy and Specialized Markets of 27% for the first quarter, there was a nonoperational FX impact of approximately 3%, an impact of non-WoodMac businesses of approximately 3% included in that segment and a first quarter timing impact for revenue and expense recognition relative to the full year of 2% that would bring the fully allocated and normalized WoodMac margin to 35%. Eliminating the allocation of Verisk overhead to WoodMac would add another approximately 3% to 38%. At acquisition, the accounting change from IFRS to GAAP added approximately 3% of EBITDA expenses from new treatments of CapEx and contractor expenses, and normalization of compensation and insurance expenses added approximately 2%, bringing us to 43%. Finally, the remaining 4% was primarily due to investments in the breakouts, as we've described in acquisitions, since the acquisition of WoodMac in 2015.

In summary, we see nonoperational impacts of 14% that include the FX, the non-WoodMac business components, the Verisk overhead allocation, accounting adjustments and the Q1 timing impact; and 6% operational, which represent the breakouts, acquisitions made as well as the normalization of compensation and insurance expenses. The Energy and Specialized Markets segment continues to enjoy core operating leverage and growth opportunities as demand for data analytics in its constituent markets continues to expand and has been demonstrated in the growth of our breakout revenues and the early new contract wins at PowerAdvocate. In addition, we are also investing in WoodMac's product development and distribution platform to improve its operating leverage through our WoodMac 2.0 initiative and continue its development as a data analytics business.

Turning to Page 15 of the earnings presentation. Financial Services contributed revenue growth of 1.5% in the quarter, a slight improvement from essentially unchanged year-over-year revenue in the fourth quarter of 2017, representing continued recovery from the contract transitions in 2017. Revenue results reflected continued strength in media effectiveness, offset by softness in regulatory and fraud products. EBITDA increased by 5.1%, reflecting an improved organic EBITDA margin of 36.1%, up from 35.5% in the prior year. Shifting briefly from organic constant-currency results to reported results, I want to call out a specific nonrecurring expense associated with a final earnout expense for Fintellix of approximately $3.5 million that reduced the reported first quarter EBITDA growth rates and reported EBITDA margin.

Now returning to the GAAP numbers below EBITDA. Depreciation and amortization was $74 million in the quarter, up 31.4% from the prior year, reflecting the impact of acquisitions and increased capital expenditures in both periods. Interest expense was $33 million in the quarter, up 15.4% from the prior year quarter due to the funding of acquisitions in 2017. Total debt was $2.8 billion at March 31, down from $3 billion at December 31, and our leverage at the end of the first quarter was 2.47x. Our cash and cash equivalents were about $154 million at the end of the quarter.

Our reported effective tax rate was 18% for the quarter compared to 32% in the prior year quarter, primarily as the result of recent tax reform. Our effective tax rate was lower than our targeted range due to significant exercises of outstanding employee stock options that produced a favorable tax rate impact. As the result of recent and anticipated exercises and the current price of our stock, we are reducing our estimate of our effective tax rate in 2018 to be between 16% and 18%. However, the timing and impact of employee stock option exercises depends, in part, on the Verisk stock price and personal decisions. We expect that this impact will be more pronounced in 2018 and that we will revert to a higher effective tax rate in 2019.

Adjusted net income was $159 million, up 27% from $125 million in the prior year quarter. Diluted adjusted EPS was $0.94 for the first quarter, also up 27% from $0.74 in the prior year quarter. The increase reflects organic growth in the business, contributions from acquisitions, the impact of 2017 tax reform and lower share count. Equalizing the first quarter 2017 effective tax rate to that of the first quarter 2018, both adjusted net income and diluted adjusted EPS were up 6.8%. We repurchased 383,000 shares year-to-date for a total return of capital to shareholders of $40 million at a weighted average price of $104.22. At March 31, we had $326 million remaining under our share repurchase authorization, and the average diluted share count was 169 million shares in the quarter. As of March 31, our diluted share count was also 169 million shares.

As shown on Page 17 of the earnings presentation, net cash provided by operating activities was $327 million year-to-date, up 2.9% from $318 million in the prior year. Capital expenditures were $43 million year-to-date, up 38.9% from $31 million in the prior year, reflecting primarily increased investment in Geomni and software development for recent acquisitions. Free cash flow was $284 million year-to-date, a slight decrease of 1% from the prior year due to the timing of collections, and our free cash flow as a percentage of EBITDA was 106% for the quarter compared to 117% a year ago. And I would note that the first quarter is typically a seasonally high level for free cash flow as a percentage of EBITDA. We continue to evaluate uses of capital across all internal and external investment opportunities as well as capital return alternatives on the basis of potential returns on capital and value creation.

The first quarter consolidated results represented organic constant-currency revenue and EBITDA growth consistent with our financial targets and stable organic EBITDA margins despite substantial investments in growth initiatives. Insurance performance remains consistently strong in both underwriting and ratings and claims, and our Energy and Financial Services business continue to make progress towards their growth objectives. We are excited about the opportunities to invest in our business and remain focused on long-term profitable growth and solid returns on capital, and we remain confident that we have the financial strength and capital structure to support investment for the long term. We continue to appreciate all the support and interest in Verisk as well as your patience today. We know that we had more to cover than we typically do.

(Operator Instructions) And with that, I'll ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Andrew Steinerman with JPMorgan.

Andrew Charles Steinerman ***JP Morgan Chase & Co, Research Division - MD***

This is Andrew. I just wanted to focus in on something Lee said at the beginning of the call that your team continues to target 7% organic revenue growth over time. I thought the target was more officially 7% to 8% as mentioned at Analyst Day in the 5-year -- or the multiyear plan and discussed on the fourth quarter conference call. And so my question is, is the company still talking about 7% to 8% for the medium term? And are you within that range this year?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So Andrew, I think it's just -- we're saying over 7%. Obviously, 8% is over 7%. No change in the guidance. I think we just are looking at that 7% threshold. We certainly see the potential to be above that and to be at 8%., so there's no change in that. That is our long-term target. We aren't making -- providing any guidance in terms of 2018. We would ask investors to look at the trends in the business, the momentum that we have in the various segments and come to their own conclusions. But our long-term targets remain consistent with what we've expressed in the past.

Operator

Your next question comes from the line of Hamzah Mazari from Macquarie.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

The first question is just on the margin gap between overall organic and reported margin. It's clearly gotten -- the gap has gotten a lot larger. I realize there's acquisitions coming in at a lower margin, but there's also potentially investment spend. Could you maybe just break that down for us in terms of is investment -- how much investment spend is diluting the margin versus some of these acquisitions?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So Hamzah, thanks. So the investments that we are making are included in the organic margins that we've reported. So in terms of thinking about those margins, you should assume that the organic margins reflect all of the investments that we are making, for instance, in Geomni, subsurface, power and renewables, all of those breakouts. And then the difference between that organic margin and the reported margin is the impact of those acquisitions that we have made but for which we don't have a year-over-year comparison, and this has been consistent with how we report the organic revenue growth and the EBITDA growth. Now I'll make one qualification. In this first quarter impact, as you will see, there was a $3.5 million earnout expense associated with our Fintellix acquisition that would have impacted that reported margin, so that contributed to that. In addition, if you will note in my comments, the EBITDA from the reported acquisitions that are excluded from organic also include some nonrecurring deal expenses. And so that is another contributor that would -- I would describe as kind of a nonorganic component of that differential. So hopefully, that gives you some context for the differential between the reported margin and the organic margin. Investments are included in that organic, and then the differential from the reported also includes some onetime deal expenses and earnout payments that take that below what we would expect as kind of the normal operating margins for those businesses.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Great, that's very helpful. And just a follow-up question. You've added significant new data sets over time through acquisitions as well as investments. You talked about WoodMac 2.0. Have you given any thought as to how you're thinking about pricing for your subscriptions and new data sets and maybe how much pricing contributes to that 7%-plus organic growth metric target?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So we're always thinking about how to present our products to our customers. And in general, you should understand our pricing to be value-based pricing. So we're trying to understand the ROIs that customers generate based on using our solutions and then essentially determine what fraction of that we can sustainably hold on to in terms of how we price into the customers. And so really it's a function of how much value the next data set, the next software solution is generating, and it's on that basis that we put the price out there. There's always a price effect in everything that we do. It's seen across all the verticals. And anything which is a multiyear subscription, it's generally the case that those contracts will have price escalation year-over-year. So pricing is a part of our overall organic rate of revenue growth. It's not the greatest part. It's a contributor, but it's well below 50% of what's going on in terms of our organic revenue growth.

Operator

Your next question comes from the line of Arash Soleimani from KBW.

Arash Soleimani ***Keefe, Bruyette, & Woods, Inc., Research Division - Assistant VP***

Just wanted to know, to what extent do you find that some of your customers, such as insurance brokers, to what extent are they getting into data analytics themselves where they actually end up having some overlap with you in terms of serving insurance carriers?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes, so -- and Mark, please feel free to jump in if you have any additional thoughts. I'm going to broaden out your question just a little bit. It's true across essentially all of our customers that one of the options that they have, of course, and they usually take advantage of the opportunity to build their own data and analytic teams. And we are not in competition with those teams and we never have been, and so the advent of companies trying to improve what they do with data analytics is constructive for our business overall. And we want to be best friends of the person who's the rocket scientist inside of any of our customer sets. So you were referencing specifically brokers. Brokers are kind of doing the same thing that they've always done. I mean, some of the brokers have had some form of catastrophe models for a very long period of time. They always try to harness some element of the data that they've got, but there's just a fundamental difference between what we do and what the brokers do. The data that we have is so much more comprehensive, and it's so much more granular that we just really don't end up overlapping what brokers do. So I think your question was specifically about the influence of brokers. That's not new business. There is nothing that's really all that different there. The reinsurance broker community has changed demographically somewhat just because of changes in the reinsurance business. But in terms of kind of the value that they add and the value that we add, I don't really see very much change there at all.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Maybe the only thing I will add, this is Mark, is clearly the brokers, like everybody, is trying to do more data analytics, especially as brokering fees become a little bit squeezed. Their target market continues to be into corporates. We do some but very little with corporates. We work and provide those analytics to insurers and the folks that are more in the insurance side of the transaction.

Arash Soleimani ***Keefe, Bruyette, & Woods, Inc., Research Division - Assistant VP***

And I guess my second question is, what would you say is the minimum level of organic growth you need to achieve organic margin expansion?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

It has to be, I don't know, mid-single-digits probably, 5-ish to 6-ish.

Operator

Your next question comes from the line of Tim McHugh with William Blair.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Just following up on the comment about WoodMac 2.0 project. I guess can you talk to us about a little more on, I guess, the outcome of that? And is it an improved product that you hope drives growth? Or does it have a significantly different cost structure afterwards that impacts the margins as well as where are we in terms of the, if you will, the peak investment necessary to drive that project? I mean, does it go up from here? Or are we already absorbing that cost?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So maybe in reverse order, Tim. We're kind of right in the middle of it right now, so I think we're sort of at the investment level that is required. It has both effects that you were talking about. So first of all, there's a, as you would imagine, a massive amount of data that's a part of what Wood Mackenzie does. But one of the things that a modern data analytic company can do is actually more highly automate data extraction, data cleansing and then data integration so that all of the data sets come together in a way that they're easily presented to the analytic layer, you can build new products. And so there is an efficiency effect there, which we expect to enjoy as we move through this 2.0 migration. But then the other part of it is that, and I'm now alluding back to what I said in my comments, one of the big things that's happened in the energy space is that everything has sped up. If what you're trying to do is to harness competitive intelligence and make your investments and run your operations, everything has just sped up, and that's largely the effect of the United States. Basically, sort of the old form was an offshore big development, which would have hundreds of millions of dollars of investment and 5 to 10-year planning and execution cycles to get into business. Now in the unconventionals in the lower 48, you can basically move a rig and 3 days later have a 1,500-foot well. And so planning cycles in a world like that are measured in weeks. And so one of the things that is necessary in that world, if you're going to stay on top of competitive intelligence and have really fresh and relevant solutions, is you've just got to speed up. And that's one of -- that will be one of the major effects of WoodMac 2.0. The other one is actually interacting even more deeply with customers' own decisioning platforms, more melding of their data with our data with other forms of data that we don't even use today. And so the kind of the overall point, which is to help our customers make better decisions faster, that's always been the point and will continue to be the point. But by degrees, what we put out there will actually look different and be more valuable because of data integration plus the deeper connectivity between our data sets and the customers' data sets.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Okay, great. And just the follow-up on the insurance vertical, the growth rate, I guess, this quarter, in particular, because the boost from the hurricane activity wasn't really the dominant factor there. Can you -- is something different about the environment in the last couple of quarters? I know you talked broadly about very specific items that impacted the business. But given how much the growth has improved, are we just at a point in time where you've had a lot of new products come to market? Or has the spending environment changed in your view? Can you kind of, at a higher level, talk about how you're viewing the growth there lately?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Sure, Tim. So this is Mark. I just want to make sure, we've been kind of reiterating the same that we feel that we're well positioned. We've had a better set of assets and new products than we ever have, and those are coming to fruition. The other thing we've been trying to emphasize over the last several quarters, back probably earlier '17, was there were several industry consolidations both on the reinsurance side and the insurance side. And when that happens, sometimes that puts pressure on us, so there was this underlying headwind that we've been a little bit freed from. So there's a combination of good elements that are contributing, and I think that I would be remiss if I didn't mention we're doing a very good job from a sales perspective of cross-selling. And we're seeing good activity, good integration and good engagement with customers.

Operator

Your next question comes from the line of Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

Lee, you mentioned the 7% EBITDA growth target that you had also called out at Investor Day. Should we assume that really any incremental leverage that you get from growth in the business is reinvested over that level? Or could you basically allow that to have margins expand? And this is more of a long-term philosophy question than just a 2018 one.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. Thank you, Toni. I think -- so first of all, reiterating that our expectation is to grow organic revenue above 7% and that we would expect organic EBITDA margin to grow -- I'm sorry, organic EBITDA to grow at a faster level than that. And so your question goes to, to what degree are we reinvesting that growth in the business. And the way I would approach that is to say we are looking at individual investment opportunities in each of the breakouts on their merits in terms of the growth potential and the return on capital for each of those. And we would expect that each of those individually would demonstrate the operating leverage that we expect for Verisk as a whole and to contribute to that stronger EBITDA growth relative to our revenue growth. And so in terms of the timing impacts of that, it depends upon those opportunities and when we put capital into them. Overall, over that long-term objective, we are going to expect to see operating EBITDA growth in excess implying that margin expansion and that operating leverage. So I think the variances around that will have more to do with the timing of specific projects, and I'll tie that to a specific example. Geomni, for instance, is clearly an opportunity that we have been investing heavily in from a CapEx and from a compensation standpoint. That clearly has an impact, as I indicated today in my remarks, on our EBITDA growth. We are expecting 2018 to be the peak level of investment, as we've said before on that, and so that will moderate over time. And so that should demonstrate more expanded margin as that tails off. Now there may be other investments that we're making beyond that. But overall, we are expecting that margin to express itself, and we will try to provide some context between how the investment levels are impacting that growth. Hopefully, that gives you a little bit of clarity in terms of how we think about it.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

Very helpful. And then my follow-up is on Argus. I'm not sure if Lisa is there or not but just any sort of changes made to how Lisa will run the business versus how Nana was running it, how, basically, the plan to maybe kickstart growth up again. Scott mentioned in the beginning of the call, one -- the isolated example of the TSYS relationship and basically being 1 to 2 quarters later than expected. So should we start to see the growth again maybe in the back half of the year? Because I know you've mentioned that the subscription base was up pretty significantly at the Investor Day. So just wanted to get a sense of how confident we are in Financial Services growth in the next couple of quarters and if there's a change in strategy.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Right. So Lisa is not here, but I feel comfortable answering on her behalf. We, as you would imagine, spend a lot of time together talking about all this. The path to growth is going to be the same as it has been. I called out in my remarks that 3 of the streams -- revenue streams at Argus that will be particularly meaningful are media effectiveness, regulatory solutions and data hosting. And so to really be a function of each of those streams finding their mark, we're -- at this point, 25 of the top 25 credit card issuers in the English-speaking world are in our data consortium and customers for our solutions. And so just the building of the consortium now, it's really down to additional countries, I guess, is the way that I would put it, and we're having some success there. But there have been moments over the course of the last 5 years where a pretty good contributor to growth was more issuers coming into the consortium. At this point, that's a little more established. So that part of the revenue stack can grow, but it won't grow quite as fast. And so it's those other 3 components. And that's not really a change from where we've been. So we're really down to execution, and I referenced a timing effect as it related to the first quarter of 2018. But as I mentioned, the long-term view is that this is a business which, for 5 years through 2017, grew in the low to mid-teens. There's -- the depth and the power of our data asset is greater in 2018 than it was in 2012 at the beginning of that time period. The customer demography has not really changed, so we see a lot of opportunity for this business to grow.

Operator

Your next question comes from the line of Manav Patnaik with Barclays.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director and Lead Research Analyst***

My first question is around the energy investments and opportunity. I mean, you've called out, I guess, breakout is the word you've used a lot of times for the opportunities and why you're investing there. We appreciate the bridge you had on the margins. But I guess the question is I'm still surprised that you still have another 2 years of investments to go before a lot of this is done. And maybe just a little bit more color on how these breakout opportunities are going to phase in. Like do we have to wait 2 years for these margins to start getting better? I think that's the big question on my mind here.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So you -- there are actually 2 things here, Manav, and you kind of put them together a little bit, so let me pull them apart for you. WoodMac 2.0 and the breakout solutions are not the same thing. Breakout solutions are things that we're presenting to customers that they find valuable, which operate in their environments and help them to run their businesses and make progress. And Lee referenced those at some length. Those are relatively large categories of spending. The good news is that each of those, whether it's subsurface or it's power and renewables, we actually find good growth associated with those. We're very happy. Having sort of launched these things and given where they are in their progress, the margins will improve as they grow. The margins are not as high as the other things that we do today, and so that's -- you have both of those effects at work. WoodMac 2.0 is something different. That's about capabilities. That's about WoodMac being a 21st-century, fully equipped, modern data analytic machine. And the data analytic work that WoodMac has done historically has been very unique and the content has been very unique. But the actual data analytic methods have not really been as strong or as advanced as those in other parts of Verisk. So our thesis, even when we got started and here we are now, is that the rest of Verisk could apply methods and help make progress. It's taking a while, and I referenced that 2019 would be sort of a moment of milestones with regard to all of that, but that will be the ongoing work. You just need to separate those 2 forms of investment.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

And Manav, I would just -- I want to add one thing to Scott's comments just to contextualize this for you. The breakout opportunities in the Energy and Specialized Markets are entities that are EBITDA-positive. They are generating EBITDA. They are generating real revenues and revenue growth. And so it isn't a situation where we're investing and hoping that revenues and the profitability will come. We've already demonstrated product viability, client acceptance, and we're now in the phase of driving to a scale level where we can see that substantial EBITDA growth, given the operating leverage, grow. Now that varies from investment to investment, but I want to give -- your question goes to the level of maturity of these investments and our timing. And I would -- I just want to make the point that these are generating EBITDA profitability, and we are generating attractive revenue growth in the businesses. So they are establishing probably at a more mature level than perhaps kind of your initial impressions were.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. Actually, there's one other point I want to make around profitability levels at WoodMac, and that is you can actually see our philosophy at Verisk at work if you look at WoodMac over the last several years. And what I mean by that is there was a remarkable discontinuity in the end market in the energy space, remarkable. The industry, globally, meaning our customers, shed hundreds -- about 350,000 jobs globally. The choice that we made was that we're in this for the long haul. So we didn't slash headcounts. We didn't penalize our people by saying, "Okay. There was this downturn, but you're just going to get paid a lot less because we're groping for a near-term margin impact." And I think we've been rewarded for that. Our performance relative to referenced competitors in the space with respect to growth has been considerably better. But this is our philosophy at Verisk. As much as our business runs on intellectual capital, and it does, a lot of that is tied to our people and the greatest part of our cost structure is our people. And we're going to manage for the long term, and that is absolutely what we've done as we've moved through with WoodMac. And so you can see that in terms of the choices that we've made in light of a very difficult external environment. We thought long term and we remained investment-minded, and that's what we'll always do at Verisk.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director and Lead Research Analyst***

That's very helpful. Maybe just one -- the follow-up is Just on the -- I think, Lee, you made a comment that you're not giving guidance for '18. But last quarter, I think, Scott, you had said you would do 7% to 8% organic growth in the year. So are you backing away from that because of the slower start to Financial Services and Energy? Or am I just reading that wrong?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

I think you're just reading that wrong. We just -- at the start of the year, I think we want to give a sense as to what -- where things look contextually. Nothing has, I think, changed in that outlook. We just are not providing a specific estimate for 2018. We are working towards our targets. You can see that we successfully achieved that in the first quarter. We've done that consistently over the past few quarters, and we think that should be the basis for investor and analyst perspective on 2018.

Operator

Your next question comes from the line of Alex Kramm with UBS.

Alex Kramm ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers***

I wanted to come back to, I think, Mark, you just made a comment a couple questions ago on M&A and how that has weighed on growth in the past. And I think you brought this up proactively on the last call, too. So just looking for a little bit more color. You said you were through that. But at the same time, I think, so far this year, we are on pace for the highest M&A year in the insurance end market. So maybe you can contrast that and how you're thinking about that outlook. And then maybe more specifically, if you could give us a little bit of a history lesson. I think a couple of years ago, when the ACE-Chubb deal was going on, I think some people noted that maybe that cost you a couple of percent of growth. So maybe just be a little bit more specific what you're seeing and how that could impact your outlook there.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So obviously, some acquisitions and consolidation in the industry could or could not affect us. It really gets to what models, as an example, use AIR. If there's 2 reinsurers that are combining, the acquiring company and what models they use could drive a better or a worse outcome for us. And what happened, as I described, over kind of '16 into early '17 was some of that merger activity worked against us. You referenced ACE-Chubb, those are both large users of [ISS] services. We worked an agreement with them that I think made both customers and Verisk happy. But there, obviously, in those type of things does come some negotiation. So I can't really get all that more specific. All that I can tell you is the headwinds that we experienced are behind us. The 2 calmer things that have been announced or are pending don't seem to have that big of implication on us going forward, so I think we're in a better space -- place we are today than we were a year ago.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

And Mark, maybe just picking up on the point, maybe you and I could dialogue about 2 things real quick. So one is in the ACE-Chubb situation, is it fair to say that actually we're now looking at cross-sell opportunities that could probably actually cause the combined account to be bigger than it was, maybe even materially bigger than it was when -- than before the time when they were separate entities. Is that fair?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

I think one of the benefits we've had of kind of taking our insurance businesses and being holistic is we've had these more senior-level discussions, as Scott highlighted, and these outcomes are positive in the sense that we think we have bigger growth opportunities to cross-sell products and get Verisk more integrated and more product into these bigger customers. So we'll continue to look forward for the future, but I think there could be a very positive outcome.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

And maybe get your view on one other thing, which is the announced AXA, XL Catlin put together. Kind of my view is I think that that's probably actually good news for us because AXA, a more global company, has made relatively less use of what we do to date. XL Catlin has been a very strong, well-established customer. I think there will be flow from -- or there could be flow from XL Catlin into AXA. What do you see?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

That was my specific reference when I said the acquisitions that are pending on the horizon probably are more positive to us, and we don't see any concerns. So yes, agree.

Operator

Your last question comes from the line of Bill Warmington with Wells Fargo.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

So first question on the telematics data exchange. Scott, in the past, when you've described building these contributory databases as 3 yards and a cloud of dust. So you announced their first contributor, GM, back in September 2015, then there was nothing for a couple of years. And now you've announced Honda in January and Hyundai in April. So are we at an inflection point? And how should we think about the size and the timing of the revenue opportunity for the Verisk Data Exchange?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. And Mark, let me invite your comments. I think the answer to inflection point is I think more in terms of curves than steps when we -- as we sort of build all of this. So I do think that the data exchange becomes just that much more inevitable as it grows, so you do have that effect. On the other hand, you've got -- sort of every OEM seems to be its own special case and the rate at which they look at these opportunities and what they think they're going to get out of vehicle telemetry just seems to vary from OEM to OEM. So I think it's something short of kind of a -- sort of a herd movement, but I do think that sort of the next contributor is that much closer to hand because of having reached roughly 1/3 of the market, as Mark has described. And the revenue side of it will look like a curve also because, as the data deepens, it'll just be that much more compelling an increasingly larger number of insurers to ones who access the data and build their process around these data. So I would encourage you to think in terms of curves rather than step changes. But it is very encouraging, and I compliment our team for having gotten this far. I mean, we are clearly the leader in this category, hands down. In fact, I don't really actually think anybody else is really in this category. It seems to belong to us.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

And then a quick follow-up on the $3.5 million Fintellix earnout. Just wanted to check, why is that running through the income statement and not through the cash flow statement as an earnout? And then just to be clear, the $3.5 million -- is the $3.5 million included in the expenses in reported and then excluded from the expenses in organic EBITDA? I just want to make sure I was clear on that.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. Thank you, Bill. This is Lee. So the answer is, is that this earnout structure was tied to ongoing employment agreements with the employees and, under the accounting rules, that has to be reflected as an expense when that's paid. So that's the technical answer. And it is included in the reported results, but it is excluded from the organic results for -- that we have reported.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

So operator, I think that concludes our session for today.

Operator

This concludes today's conference call. You may now disconnect.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Okay. Well, I just wanted to say before we sign off, thank you, everybody, for your interest and for the questions today. I hope and I believe that the expanded presentation that we're providing you is giving you a deeper look into the company. We're very happy for you to have that deeper look because we're actually very confident in where our business sits and where it's going, and so we want everybody to kind of appreciate the dynamics of our business. And so I imagine that our conversations going forward will just be enriched by the greater disclosures. So thanks for your interest, and we'll talk to many of you in the coming days and weeks and look forward to it.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thank you.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Bye for now.

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PRESENTATION

Operator

Good day, everyone, and welcome to the Verisk Second Quarter 2018 Earnings Results Conference Call. This call is being recorded.

At this time, for opening remarks and introductions, I would like to turn the call over to Verisk's CFO, Mr. Lee Shavel. Mr. Shavel, please go ahead.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thank you, Kyle, and good day to everyone. We appreciate you joining us today for a discussion of our second quarter 2018 financial results.

With me on the call this morning are Scott Stephenson, Chairman, President and Chief Executive Officer; and Mark Anquillare, Chief Operating Officer.

Following comments by Scott, Mark and myself highlighting some key points about our financial performance, we will open up the call for your questions.

Before we do that, I'd like to take the opportunity to introduce our new Head of Investor Relations, Stacey Brodbar. I am personally delighted, as you all can imagine, to have Stacey join us. Although, as I reflected on it last night, you all maybe even more excited than I am to have Stacey with us. She comes to us with 20 years of broad experience from the buy side, sell side and investment banking. Most recently, she spent 11 years at AllianceBernstein, where she served as a Senior Vice President and Senior Equity analyst covering the consumer discretionary sector.

Prior to that, she spent 7 years as a sell-side equity analyst at Crédit Suisse, analyzing the restaurant sector. She holds an MBA from Columbia Business School and a Bachelor of Arts in History from Duke University. I know that she is looking forward to engaging with all of you in this new role, and we will appreciate the same patience that you've shown to me as Stacey comes up the learning curve with the businesses at Verisk. Fortunately, she comes into the job with the benefit and knowledge of having been an investor in the company previously.

The earnings release referenced on this call as well as the associated 10-Q can be found in the Investors section of our website, verisk.com. The earnings release has also been attached to an 8-K that we have furnished to the SEC. And we have also posted our investor presentation for the second quarter on our website at verisk.com. A replay of this call will be available for 30 days on our website and by dial-in.

Finally, as set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

Now I will turn the call over to Scott Stephenson.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Thanks, Lee. Good morning, everybody. I'm pleased overall with the second quarter results we are reporting today and with the progress occurring across our business.

I recently had 2 weeks in Europe with some of our largest customers and our leadership teams and come away encouraged about our situation and forward opportunities.

Let me summarize some of what I saw and heard. On the insurance front, we are a different company in the London and U.K. markets than we were just 1 year ago. Across many meetings, it became clear that our customers see and understand the logic of the new solutions we have brought to market through a combination of organic developments and acquisition.

On several occasions, I heard customers comment on the unique position we have achieved in the U.K. along with their anticipation of newly integrated offerings from Verisk. I hear customers referring to Verisk as a partner more frequently than in the past. They are asking for deeper dives into our solution sets and pipeline of new developments. Virtually every conversation with customers was forward-looking in nature, which is a good sign for our future.

I also met with the senior leadership of some of Europe's largest energy businesses. I heard continuing affirmation of the must-have quality of the data and the analytics we provide.

Equally encouraging were discussions around the need to transform commercial decision-making in the oil and gas industry through the application of modern data analytic methods.

This point is deeply felt by the energy companies who are awash in technical data but have yet to realize the promise of optimized commercial decision-making.

A goal of our Energy business customers is planning cycles measured in weeks rather than years, which can only be achieved with a level of cost and productivity benchmarking, which has previously been unseen.

Our customers in Europe and indeed, everywhere, see us as a natural partner in helping them achieve this transformation.

I spent an enjoyable afternoon in the offices of one of Argus' leading U.K. customers. It was great to spend time not only with our customer, but also our several person team who sit in the customers' offices, representing a wonderful level of intimacy.

After reviewing the considerable value attached to our current solutions, the conversation with our executive sponsor then moved to future opportunities to harness machine learning to amplify their analytics. Again, the conversation was primarily about the future and how our 2 companies can partner.

A consistent message across customer meetings is that some of the most important work being done by our customers is harnessing data and analytics to improve their business results, and they see Verisk as a unique partner in doing so.

With that, let me hand it over to Mark for some comments on the insurance vertical.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Thank you, Scott. In our Insurance business, we had another strong quarter in all Insurance-facing businesses. Underwriting & rating, as well as claims, contributing to growth. Let me highlight a few areas that drove top line growth and update you on several initiatives that better position us for the future.

To remind everyone of our new reporting segments. Underwriting & rating consists of: one, our ISO business unit, which provides industry-standard insurance programs, property-specific underwriting and rating information and our personal lines underwriting solutions; two, our AIR business unit, which offer -- which provides extreme event models; and three, Sequel, our business unit which provides insurance software solutions.

During the quarter, Underwriting & rating delivered strong organic growth across personal lines underwriting, extreme event modeling and industry-standard insurance programs through a combination of cross-sell with existing solutions to new customers and the sale of new innovative solutions.

Our legacy ISO business continues to maintain high customer retention rates while increasing its prominence as a thought leader in the property and casualty industry.

We have a series of new programs and product extensions fueling growth, including: cyber, one, our new program to address the growing cyber threat, which represents a significant avenue of growth for insurers; two, flood insurance, where we launched both personal and commercial lines coverage to satisfy the underinsured and uninsured problem in the U.S., as evidenced during Hurricane Harvey, where 2/3 of flood losses occurred outside of FEMA's 100-year floodplains. These ISO programs support all areas in the contiguous United States regardless of the FEMA flood zone; three, LightSpeed, our suite of underwriting data and analytics focusing on personal lines risks, primarily, personal auto and homeowner's risk; and four, Risk Analyzer, our deeply analytic and highly segmented suite of tools providing refined pricing detail on specific risks.

We continue to extend our Risk Analyzer suite and recently introduced a physical damage module for commercial auto.

In June, we held our Verisk London Risk Symposium, an event highlighting our InsurTech capabilities across Underwriting & rating and Claims, with a focus on key insurance and global risk issues. The number of follow-up opportunities was impressive as U.K. insurers and Lloyd's syndicates are becoming -- beginning to fully understand the scope and power of Verisk offerings.

After a week together in London, our leadership team was energized by the meetings with customers, developing strategy across our European businesses and prioritizing opportunities brought by these collaborative efforts.

Our Claims businesses include: one, claims analytics, our fraud prevention solutions featuring ClaimSearch; two, Xactware, our suite of solutions focused on loss quantification and repair cost estimating; and three, Geomni, our cutting-edge remote imagery business.

Claims experienced another exceptional quarter with organic growth across all business units through a combination of cross-sale and sale of new solutions.

During the quarter, we acquired Validus, a leading provider of claims management solutions and developer of the leading subrogation portal in the U.K. Subrogation incurs when an insurer pays an insured for a loss caused by a third party. Insurance companies then subrogates or steps into the shoes of the insured to interact with a third party to recoup the loss suffered by the insured. With the addition of a well-established subrogation platform to its existing claims solution set, Verisk is uniquely positioned to support the U.K. insurance market at every stage in the life of a claim.

As I highlighted during our prior earnings call, we are focused on helping our customers automate the claims process to drive towards right touch claims handling, where less complex and smaller dollar claims are handled with limited manual intervention. The subrogation process and coordination of benefits for bodily injury claims are areas where we can vastly improve the claims process and create efficiencies for our customers.

Geomni, our business that harnesses remote-sensing and machine learning technologies to provide information about residential and commercial structures has advanced its massive library of high-resolution imagery and data for substantially all properties in the United States. The aerial imagery and property data, including measurements of dimensions for commercial and residential properties, are seamlessly integrated through Verisk's platforms for claims, underwriting and catastrophe modeling. The image library, advanced analytics and tight integration with our repair cost estimating tools have resulted in exceptional efficiencies for insurers and strong growth at Geomni as well as Xactware.

Across all businesses, from both a customer and financial perspective, we're very pleased with the performance of the Insurance businesses.

With that, let me turn it over to Lee to cover our financial results.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thanks, Mark. First, I'd like to bring everyone's attention to the fact that we have posted a quarterly earnings presentation that is available on our website. The presentation provides background data and trends and analysis to support our conversation today.

Moving to the financial results for the quarter. On a consolidated and GAAP basis, revenue grew 14.9% to $601 million. Net income increased 26.9% to $154 million for the quarter. Diluted GAAP EPS was $0.91 for the second quarter 2018, an increase of 26.4% compared with the same period in 2017.

Having presented our summary GAAP results, I will now shift to a focus on our organic constant-currency results for all year-over-year growth rates consistent with our financial targets and to eliminate the impact of currency fluctuations and recent acquisitions for which we don't have a full year-over-year comparison.

Acquired revenue and adjusted EBITDA in the quarter from all deals that haven't moved into organic results were $36 million and $9 million, respectively. Please note that nonrecurring acquisition-related transaction expenses are included in these EBITDA amounts.

Verisk demonstrated very solid growth performance and momentum in the second quarter. Revenue growth of 7.4% was ahead of our 7% long-term target and it was our fourth consecutive quarter at or above that target.

Adjusted EBITDA expense grew 5.9%, enabling EBITDA growth of 8.9% and demonstrating the benefit of our operating leverage. The EBITDA growth differential to revenue growth of 1.5% is also ahead of our long-term target of a minimum 1% differential. These results also produced an improved adjusted EBITDA margin of 49.6%, up from 48.9% in the prior year, reflecting the benefits of our scale and inclusive of continued investment across the business.

Let's now turn to our segment results on an organic constant-currency basis. As you will see on Table 2 in the press release, Insurance had a strong quarter with 8.4% revenue growth with Underwriting & rating contributing 6.2% and Claims contributing 13.2% growth.

Adjusted EBITDA for Insurance grew 10.5%, reflecting an increased adjusted EBITDA margin of 56.6%, up from 55.5% in the prior year.

Within our Underwriting & rating business, we saw solid performance across our product lines. We also continued to invest in our break out opportunities, including telematics, LightSpeed, data hosting, energy and global property with exceptional growth despite the relatively small scale at this point.

Within Claims, the continued strong growth was a function of strong product growth in most of our Claims businesses, offset by a slight decline in our employment screening business.

In addition, Geomni continues to generate strong growth as they expand and improve data quality for clients.

Energy and Specialized Markets delivered improved revenue growth of 5.0% for the quarter, up from 3.1% in the prior quarter as the energy industry continues to recover as many of you may have noticed, with the recent reported results from the energy companies.

Adjusted EBITDA increased 0.9%, also an improvement from a 5.9% decline in the prior quarter. Adjusted EBITDA margin of 30.1% was down slightly from the prior year period, 31.3% due to ongoing investments in the WoodMac 2.0 initiative and our chemicals, subsurface, power and renewables and analytics breakout initiatives that increased headcount and associated compensation expense.

These areas represent opportunities to leverage Wood Mackenzie's data and industry expertise more broadly and to deliver and develop products more swiftly and efficiently.

Overall growth was supported by research growth at Wood Mackenzie and strong growth in consulting and with our 3E revenues.

This improvement was achieved despite the ongoing 2018 revenue headwind from a global investment banking client that has substantially reduced their presence in the industry.

The Energy and Specialized Markets segment continues to enjoy core operating leverage and growth opportunities as demand for data analytics and its constituent markets continues to expand and it has been demonstrated in the growth of our breakout revenues and the early new contract wins at PowerAdvocate.

Financial Services also delivered improved revenue growth of 4.4% in the quarter, up from 1.5% in the prior quarter. Adjusted EBITDA increased by 4.5%, down from 5.1% in the prior quarter and the adjusted EBITDA margin was 31.1%, unchanged from the prior year. These results are below our long term expectations of the business but we believe the growth potential of the segment remains strong.

The organic revenue growth was supported by growth in portfolio management solutions, which include our foundational benchmarking analytics and strong growth in enterprise data management solutions, where we are leveraging our data management scale and expertise to support our clients.

Looking ahead to next quarter's Financial Services revenue results. We want to take the opportunity to remind everyone that consistent with our typical partnership revenue model, we expect to have a high level of nonrecurring license and implementation revenue in the early stage of our partnerships, followed by the development of recurring subscription revenues over time.

In this regard, the third quarter of 2018 will represent the 1 year anniversary of the formation of our TSYS partnership, which generated significant initial revenues in the third quarter of 2017 of $6 million with lesser amounts in the subsequent 2 quarters.

Consequently, our growth rates next quarter will reflect the burden of those nonrecurring revenues in the prior year. As we've discussed previously, the launch of our products through the partnerships had been delayed due to data integration challenges, but we expect to commence marketing with clients this quarter with the development of the ongoing subscription revenue opportunity to follow.

Consolidated depreciation and amortization was $74 million in the quarter, up 32.1% from the prior year quarter, reflecting the impact of acquisitions and increased capital expenditures in both periods.

Reported interest income was $32 million in the quarter, up 12.1% from the prior year quarter due to the funding of acquisitions in 2017. Total reported debt was $2.8 billion at June 30, 2018, down from $3.0 billion at December 31, 2017. Our leverage at the end of the second quarter was 2.4x on the basis of our credit facility calculation.

Our consolidated cash and cash equivalents were about $135.8 million at June 30, 2018. Our reported effective tax rate was 17% for the quarter compared to 28.8% in the prior year quarter as the result of recent tax reform. Our effective tax rate was lower than our targeted range due to significant exercises of outstanding employee stock options that produced a favorable tax rate impact.

We are maintaining our estimate of our effective tax rate in 2018 to be between 16% and 18%. However, the timing and impact of employee stock option exercises depends in part on the Verisk stock price and personal decisions. We expect that this impact will be more pronounced in 2018 and that we will revert to a higher effective tax rate in 2019.

Adjusted net income was $179 million, up 29.1% from $139 million in the prior year quarter. Diluted adjusted EPS was $1.06 for the second quarter, also up 29.3% from $0.82 in the prior year quarter. The increase reflects organic growth in the business, contributions from acquisitions and the impact of 2017 tax reform.

Equalizing the second quarter 2017 effective tax rate to that of second quarter 2018, both adjusted net income and diluted adjusted EPS were up 11.6%.

Net cash provided by operating activities was $207 million for the quarter, up 85% from the prior year. Capital expenditures were $56 million for the quarter, up 36% from the prior year, reflecting primarily increased investment in Geomni and software development for recent acquisitions.

As we've discussed previously, 2018 will be the peak year of capital expenditure for Geomni. Free cash flow was $151 million for the quarter, an increase of 114.3% from the prior year.

We returned $141 million in capital to shareholders through the repurchase of 1.3 million shares in the quarter at a weighted average price of $105.78.

At June 30, 2018, we had $686 million remaining under our share repurchase authorization, including a $500 million authorization approved in May 2018.

In addition, we initiated a $50 million accelerated share repurchase to be executed in the third quarter to accelerate the impact of share repurchases and to execute repurchases at a discount to VWAP over the period. We have the ability to repurchase additional shares during the quarter, so the $50 million ASR should not be viewed as our total repurchases for the quarter.

The average diluted share count was 169 million shares in the quarter and on June 30, 2018, our diluted share count was 168 million shares.

Overall, the results for the quarter represented: one, organic constant-currency revenue growth of 7.4% and EBITDA growth of 8.9%, both ahead of our targets; two, improved organic constant-currency margins; three, continued investment in attractive internal opportunities; and four, substantial return of capital to shareholders.

Insurance performance remains consistently strong in both Underwriting & rating and Claims. Our Energy and Financial Services continue to make progress towards their growth objectives.

Looking ahead to the third quarter, we want everyone to be mindful of the $8 million in storm-related revenue and $6 million in initial nonrecurring revenue from the TSYS partnership in the third quarter of 2017 that will affect the third quarter 2018 year-over-year reported growth rates, but don't represent a change in our underlying long-term growth expectations. We also don't know what the 2018 storm season will hold for us.

We are excited about the opportunities to invest in our business and remain focused on long-term profitable growth and solid returns on capital. We remain confident that we have the financial strength and capital structure to support investment for the long term. We continue to appreciate all the support and interest in Verisk. (Operator Instructions)

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Hamzah Mazari.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

You touched on what some of your European clients are saying on the insurance offering. Maybe if you could touch on -- do you still think you can double the Insurance business internationally in 5 years? I think you had highlighted that and maybe some of the challenges and sort of headwinds to that goal. Just maybe update us, how much bigger can that international business be and why you feel confident?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

When we think about international opportunity as it relates to the insurance vertical, first of all, it's not just about the London and U.K. markets. We're actually pushing out in a number of European and Asian markets. I was highlighting London and U.K. partly because that's where I just was with the customers, but also partly because that is the largest part of our non-North American footprint today. I don't really see a lot of headwinds. I can tell you what the work consists of. The work consists of taking the methods that we've developed in the United States tailoring -- tuning them -- not tailoring them, tuning them to the local markets and then infusing them with a lot of good local data. We know how to do that. That is, in fact, what we're presenting in these overseas markets today. So it's organic. It feels very natural, and what we need and what we have are great people on the ground in these markets that understand the local customers and local conditions and can just cause our solutions to be their most relevant and make clear to the customers the value that they represent. But it's not -- it's mostly white space for us. I mean, Verisk, as you know, is about order of magnitude, 25% non-U. S. today. And it's a big world out there. So this is a long, sustained march for us. But I don't think of it in terms of headwinds. I think of it in terms of great people on the ground locally, taking what we're already good at and making it relevant.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Great. That's very helpful. And just a follow-up, I'll turn it over. Maybe for Lee. Lee, I know you spent a lot of time on capital allocation and over -- in terms of your analyst days, investor outreach, maybe just frame for us how you're thinking about that going forward? Have you, guys, thought about a dividend? Is it -- are there going to be more acquisitions? Are you going to add a third leg to the portfolio? Just broadly speaking, I know the history has been a little different where you had a health care business, then we bought Energy, now you're sort of focusing in on the core. Maybe just give us some feedback after your outreach program and how you're thinking about broadly capital allocation going forward?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. Thank you, Hamzah. So the way -- what I would emphasize is, at this stage, what we're focusing on is starting with understanding capital generation, where we're generating it, how we're generating it, obviously, optimizing that. And then looking at the returns on capital within each of the businesses and most importantly, on an incremental basis, how we're investing the capital that we have effectively to improve those returns and to support the growth initiatives across the business and that's where it's a combination of looking not just at acquisitions, but looking at our internal investments through CapEx, through investments in our breakout initiatives and really, just enhancing that as a discipline across the organization as a whole with the objective of trying to identify as many attractive opportunities to invest capital. And I really think at the core, that's what's most exciting about Verisk. The opportunities that we have across the business, to put capital into growth businesses in the analytics and data management sector. With -- once we are doing that effectively, I think the next step is thinking about how we manage capital. And at this stage, we think about all our opportunities to return capital, we, as you saw in the second quarter, were very focused on repurchasing shares and so you see a focus there. That is determined on a quarterly basis based upon where we see opportunities. But longer term, we are certainly going to evaluate all opportunities, but we're really at the preliminary stage of just thinking about how are we generating capital and how we're deploying it within the business. The final thing that I will say, I think that you have heard Scott and Mark, in several cases, talk about what we see as the opportunities and the strength of our 3 verticals: Insurance, Energy and Specialized Markets and Financial Services. While we are always evaluating M&A opportunities that can create growth, we are very comfortable with the opportunities that exist within those 3 verticals. There's not an expectation at this point that there's any additional vertical that we're pursuing.

Operator

Your next question comes from the line of Alex Kramm.

Alexander Kramm ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers***

Just a -- I think, Lee, you ended your prepared remarks on kind of like reminding us of the second half outlook and the strong storms. I guess, stepping back a little bit. I think you highlighted that last 4 quarters, growth was over 7%, but really, if you back out the claims which has been really strong, I think it was more like 5-ish or so. So more holistically, I mean, Claims growth is great, but I think there's the question about sustainability. I mean, how do you feel this can continue to grow in the kind of like teens and how could that weigh on your growth rate going forward? I'm not just thinking the next couple of quarters, but more holistically, longer term.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Yes. This is Mark. Let me maybe try to address it. Clearly, the claims area benefits from severe storm activities that occurred back in last year, third or fourth quarter. I think what we've seen is, as a result of some of that storm activity, we've had a little bit of a continuation of services to be continued to provide it to some contractors. And we've also seen insurers, for the most part, buy more. So I don't attribute first quarter, second quarter results to storm activity. I see the underlying business is continuing to be strong. I see the investment that we've made over the last several years in new products and new services and the extension into what I would refer to other parts of the insurance value chain to be working. And I just wanted to highlight that I think we have a lot of good things going in claims and personally, I wouldn't back it out in the way you just did. So I hope that provides, at least, a little context and maybe a little comfort on kind of the underlying solvency and strength of the business.

Alexander Kramm ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst of Exchanges, Ebrokers***

Good. And then Lee, just secondly, maybe on the cost side. I know you talked a lot about the margin and obviously, organic versus nonorganic. But stepping back, I think you've been there for, I think, almost 9 months or so. Are you spending a lot of time on how the cost base of Verisk looks holistically? I mean -- and I guess, I'm asking because in your prior shop, you -- the company was very well known for being very good on margin, very tight, very cost-conscious. Have you looked at how maybe processes at Verisk are? And if there are improvements, just generally speaking, not just from integration of acquisitions?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. Thank you, Alex. And so -- first off, I feel obligated to say that I think Verisk starts with a very good discipline around cost management and you wouldn't see, I think margins of this strength without that discipline throughout the organization. And so that isn't to say that there aren't always opportunities to improve and as I learned from my prior shop, cost management is a beast that you have to fight every day. And in that regard, I've been spending time focusing on the cost structure. One area, in particular, that has gotten a lot of focus that we have been proceeding against has been against the broader migration mainframe to cloud migration, which I think represents opportunities for us from a cost and from a capital standpoint and so that's one dimension of it. But interestingly, you raised it on the call. We actually have also been evaluating a shift in our procurement strategy in which heretofore has been a very process-oriented procurement strategy. And we are going to be shifting with some changes in leadership to a focus on the cost structure elements and where we can attack data costs, other technology costs and find other efficiencies across the business in order to improve the overall cost structure. So it is something that has received focus. There are a number of initiatives that are underway, focusing on that opportunity and we hope with a reorientation of our procurement and strategic sourcing function to make further headway against that.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Well, yes. It's Scott here. I'll just add that kind of the -- sort of the deep drumbeat where the cost side of our business is concerned, really hinges on a couple of things. One is, as Lee was saying, the nature of the computing infrastructure inside of our company is going to change and we think, productively. It only costs you about $40,000 to source a raw petabyte of storage capacity in the cloud today, only $40,000. I mean, that's remarkable. And so as we move from on-prem to not on-prem, I think we're going to naturally see productivity there. Another opportunity for us that is at work now and I think we will make somewhat more use of into the future, will be to diversify where our talent comes from. There are talented people all around the globe. And at the moment, at least, there are asymmetries in terms of what highly competent professionals get paid. We've made less use of that than we might have. And then 2 other things real quick. One is, just sort of the strong and consistent drive towards effective operations, which we summarized thinking about Lean Six Sigma kinds of methodologies, which is really a quiet revolution that's going on inside of our company. And the last thing is, the ability to change the very nature of knowledge work by harnessing machine learning. To-date, most of that has been applied to making our solutions for our customers better, but the longer tail to the machine learning AI revolution is to actually change the way cognitive work gets done and we have a lot of knowledge workers around here, and I believe that we can really make them more productive by harnessing the machine more. So a bunch of things that underlie -- and these are all productive and they're not just quarter-to-quarter. This is year-to-year. Some of them are probably decade-to-decade kinds of developments.

Operator

Your next question comes from the line of Manav Patnaik.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

My first question is on Argus. So the $6 million onetime benefit in last year's third quarter, I guess, is new disclosure for us or maybe me, at least. And so it implies that the third quarter is probably not going to have a good number. And so what I'm trying to understand is, 7 quarters of way underperforming, what we are used to seeing from Argus. Like, maybe I don't quite understand what's really going on there, like what the issues are. And I guess, even the margins took a hit this quarter. So I was just hoping you could maybe just flesh out again like what's going wrong there?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Well, first of all, I don't, at all, think that things are going wrong at Argus. It's a great business, which is founded on proprietary content just like much of -- most of what we do at Verisk. So it's actually a great business and if you were to ask me which of our 3 verticals over the next 5 years is going to turn in the highest rate of growth, I think there's a very good case to be made that it could be Verisk's Financial Services. I actually find it hard to handicap the 3 of them. I think they're all going to do well. So it's a great business of which we and I are very proud and provides wonderful levels of value to our customers. So all of that. Thinking about the last couple of years, as we have discussed in the past, 2017, there were a couple of major relationships that cycled out. One part of that was the federal government consolidated its use of what it is that we provide and the other was a very large player in the Financial Services world had essentially been bulk buying some of what we do on behalf of a lot of banks and they stepped out of that relationship. And so underneath that, we had been filling in with relationships with the banks individually. But that was a onetime effect, over and done. In 2018, you have to look across the different segments of the business. And one of the things that is at work right now is -- and we did call this out last quarter also, is the -- on the media and effectiveness side, I'm going to summarize a lot here in just a few words. But basically, the regulatory burden on banks includes really, really requiring a tremendous amount of disclosure around methodologies, which allow the discrimination of risk on an individual customer basis. I mean, the size of the report you have to write to justify methods that you're using is really kind of astonishing. The banks want to do this differentiating and they find our method as valuable as it ever was, but consuming our methods in the form that we had traditionally provided them has just become backbreaking from a regulatory point of view. So we're in the middle of rotating right now the way we present that underlying intellectual property to our customers. And so it's a moment where that shift is occurring. And then lastly, as Lee pointed out, again, in 2018, not only did he note the year over -- the grow over point with respect to the implementation, but we've talked about the couple of quarter delay in terms of actually getting it productive. Normally, what I mean -- and this is a truth of the business, when we establish a new relationship, there's a big surge of activity for data integration purposes and then this very nice annuity stream kicks in thereafter. The annuity stream is kicking in a couple of quarters later than we expected because of the integration issues. So that's what's going on inside the business, but our outlook on this business over intermediate and longer periods of time is completely unchanged.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. And Manav, just to add. I think as Scott was describing, certainly it's an understandable question and we understand the frustration from a growth standpoint. I do think that it's important, kind of starting at that level, to step back and look at what the elements are that are driving it. It has been a chunky and a noisy business. We are -- have been in the process of focusing on how, from a revenue structuring standpoint, we can make this a more sustainable growth business. I think part of the story is that early on, several years ago, there were a number of large opportunities that naturally, we were compelled to pursue and that created some of the large component noise. Where we are now is looking at each of these businesses across the portfolio management solutions, enterprise data management solutions and the spend in marketing solutions, and focusing on how we deliver sustainable growth across those. And when you eliminate the onetime elements, and in this case, which we don't -- we certainly don't feel we want to apologize about the upfront revenues, but I think it's important to understand that those are licensing and implementation revenues with the value of the subscriptions accruing over time. That, that's the underlying dynamic that I think we see as both underlying growth and ongoing potential given the extraordinary data set and the relationships that we have with our clients and the opportunity to use that data to just broaden their applications. I know all of that is looking ahead, but we believe that, that opportunity remains undiminished despite the noise that we've experienced here over the past couple of years.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Okay, got it. I appreciate that color. My second question, Scott, maybe just to step back on the investments you're making in the WoodMac 2.0 platform. I recall, like the year after you made the acquisition, at one of the Investor Days, you talked about how there had already been investments made and a lot of new product platforms are rolled out. So my question was more like, is this 2.0 initiative sort of driven by customer feedback or is this some sort of new gen, you feel like it will help down in the future? Just wanted to get some more perspective there.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. It's both. And let me give you one other contextual point also, which is, of the 3 verticals we serve -- and I am talking about customers now, I'm not talking about us, of the 3 verticals we serve, the Energy vertical is the one that is least transformed yet by large-scale data analytics for commercial decision-making. The companies are awash in technical data. So it's not that they don't know big data, but they haven't harnessed it the way that insurance companies and banks have to drive their commercial decision-making. And we knew that at that time that we -- in fact, that's one of the reasons why we were so excited to get into a business with WoodMac. And then, of course, the double tsunami hit in terms of the commodity price and the Brexit, which is -- what's hard on a U.K.-based pound-denominated sort of a company. So in the middle of these storms, we basically trimmed the sails and pulled the boat into port. Now the sky is clear, we're back out on the seas full sail. So I just want -- if folks haven't followed our story over the longer periods of time, I just wanted to make that point because there is a degree to which WoodMac 2.0 is what we intended from the beginning. And it's -- we just know that it's productive to have a very nicely digitally-based platform for all of your data because you can build the next generation and the next generation after that of products if your platformed in that way. And I think that the WoodMac that came into Verisk in 2015 reflected that -- reflected their customers, basically. In other words, sort of the volume and the speed of the data sets on the commercial side, were just not -- it just was not the way that environment had been behaving. So it's not that WoodMac was behind, I think they were reflective of the environment they were in, but then the other part of it is, yes, it is responsive to customers because their worlds have changed. Essentially, what's going on in the energy -- in the oil and gas energy space is that you used to have these years under -- on to decades planning cycles where you would have these bespoke offshore, multi-hundreds of millions of dollars of developments and essentially, every project kind of was onto its own. And so you planned in that context. What's happened is about half of all the incremental supply has been added in North America. And in North America, the business behaves very differently. You can be drilling a well in location X and you can say, "You know what, I want to move that 1,500 yards over there." And 3 days later, you can have a 1,500-foot well. And so planning cycles have reduced to weeks and days and that's actually exciting. The other thing that has happened is, it's not so bespoke, there are a lot of people in the Permian. There are a lot of people in the Bakken. Your position is next door to somebody else's position. And so the intensity of desire to sort of benchmark and use that to tune up operations and planning is much greater than it was. So in other words, to be effective, you have to be bigger data faster. And that's the conversion that's going on right now. And so you can also think of WoodMac 2.0 as being not only the tuning up of our own environment, but it's actually creating this capability to serve the customers on these faster cycles with a greater amount of benchmarking against like activities. I mean, that's fundamentally what's going on, and that is customer-driven.

Operator

Your next question comes from the line of Tim McHugh.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Yes. Can I just follow-up on the insurance growth rate? Was there any contribution then in this quarter that you would attribute to the storm activity? And can you help us understand at all the contribution of aerial imagery at this point to the growth rate?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Sure. So I think question one was really around severe storm and impact in this quarter. There was no explicit benefit. I mean -- I think what we've seen is contractors who purchased the solution back during the storm season. Some have extended that license. That has been good. It seems like that will continue, but there is nothing explicit around the storms. Let me now jump over to Geomni. Similarly, storm activity did help us during the third quarter with the storms last year. I think what you're seeing now inside Geomni is a very strong bit of growth, driven by really, customer adoption, where we're taking share, we had a very tightly integrated solution that for the most part, brings in the imagery, turns it to data and with that data, we're populating the repair cost estimates. At the very heart of what we're trying to do is, we're trying to increase dramatically the productivity of those claims adjusters at our customers. And by doing it in an automated way, whether that's from afar or having most of the information prepared in advance and visiting the location, it creates tremendous opportunity and efficiencies in that process. We are more accurate and I think we have really started to change the way those insurance companies are kind of automating their processes. And Geomni, organically, is helping the overall growth rate of insurance. That is very true.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Okay. And then can you help us [affect at all] the growth of the research business versus the consulting side of Wood Mackenzie? And my impression was, consulting was leading the growth rate versus the research side. I don't know if you have...

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes, Tim, that's absolutely true. The consulting side is the portion that responds the -- most immediately to the increasing investment levels on the energy side. And so I would describe the growth there as strong growth. On the subscription side, that growth -- there has been growth there. I would say it's more modest growth, but clearly, the consulting side, which represents about 20% of the revenues has been benefiting earlier from that upside. But we are seeing a steady improvement in our overall research subscription levels as the cycle continues to improve for the energy sector.

Operator

Your next question comes from the line of Arash Soleimani.

Arash Soleimani ***Keefe, Bruyette, & Woods, Inc., Research Division - Assistant VP***

A quick question on Geomni. The $200 million total addressable market there within insurance, is that on the claim side only or does that include both Claims and Underwriting?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So as it relates to insurance, we have -- we've talked about both the Claims business and the Underwriting business. We were very specific in use cases when we provided that estimate. That is in the context of what we refer to as property characteristics on the underwriting side, helping to better understand the physical attributes of the buildings and the residential homes and on the Claims side, as we described. So it is a combination of the 2 with a kind of known use case for insurance.

Arash Soleimani ***Keefe, Bruyette, & Woods, Inc., Research Division - Assistant VP***

And aside from Geomni, can you talk about just increasing automation within the insurance industry and to what extent that presents an opportunity for Verisk?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Sure. Let me do that. I think we are...

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

That's going to take about an hour and a half.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

But yes, maybe you can...

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

I will be quick. I think everyone in the insurance industry, both on the Claims side as well as the Underwriting side understand 2 things. One, they need to automate to get a lot out of -- to get -- rid themselves of operational fiction. The way they're doing that is, they're making an investment in technology and they're changing the way they go about processing. What that also helps to address is a graying of the talent population inside the insurance industry, where their most experienced claims handlers need to be on the more difficult claims or the very difficult underwriting risks. That's where the experience needs to be. So they're trying to create expert systems to handle about 80%. This is a little bit -- our estimate, 80% of claims in a no-touch, low-touch way. So everything else flows on an underwriting side, 80% of those claims, even on commercial, like personal, can be handled at point-of-sale with all the information so you can properly understand, assess and price the risk. And that transition, whether it's back office, policy admin, claim systems or in the world of data analytics, everyone is pushing in that direction with one overarching theme, digital engagement. They're trying to make sure they don't lose customers and they can stay close. So hopefully, I was efficient and quick, but InsurTech and all of that, that we're doing really is kind of making people extend and change the way they're doing business.

Operator

Your next question comes from the line of Andrew Steinerman.

Judah Efram Sokel ***JP Morgan Chase & Co, Research Division - Analyst***

This is Judah on for Andrew. I just wanted to circle back on Argus. You, guys, gave some helpful color on some of the holdbacks to growth last year and what's been going on this year. I wanted to ask about, outside of TSYS, you had mentioned 8 large multiyear contracts at Investor Day. You had mentioned bookings that were $13 million higher at Jan 1, 2018 versus the year prior. So I was wondering how the rest of those contracts were going if you were seeing any sort of implementation delays with those or is that something that we could see coming on the horizon?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

So Judah, thanks for the question. I mean, the last time we visited this to kind of get a check is -- of the -- our sense is that slightly over half of that contract had been worked into our revenue with the balance expected over the remainder of the year. So I'll get an update on that, but that was kind of where we were previously. I suspect we've made some progress and so more of that has come in. But probably the majority has been realized kind of year-to-date, and there will probably be some carryover in the second half, but probably not a material impact on revenue growth.

Judah Efram Sokel ***JP Morgan Chase & Co, Research Division - Analyst***

Understood. And so for one quick follow-up on Argus. You had -- Scott had mentioned the heavy filing burden that is weighing on some of your bank customers. Maybe I missed this point, but is any of this specifically related to GDPR and similar types of regulations? One of your peers mentioned those regulations, those events as weighing on -- as being a headwind to some of their growth that's similar to your marketing effectiveness. So I was wondering if that's at play here.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

No, This is specific to banking regulation in the United States, particularly. So no, it's not.

Operator

Your next question comes from the line of Bill Warmington.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

So first question on WoodMac, the -- last quarter, you guys had talked about a couple of GEM cancellations. How have the renewals been trending, in general, this quarter? And specifically, how have the trends been on a like-for-like pricing basis?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Bill, I got to correct your facts there. So last quarter, we didn't talk about GEM cancellations. We talked about 2 things going on in the business. When customers consolidate, that can have an effect on the combined entity revenues for us and we did note that there was one of those. And then the other, and Lee talked about it in his remarks, was one investment bank has just sort of rethought their position with respect to the energy vertical. And it's not that GEM has gone away, it's just that they scaled back their relationship with us. So I just want to make sure our facts base is established.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

Fair point. So and then...

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Go ahead, Bill. Okay, Kyle, do you want to move to the -- I think we may have lost Bill. Can we move to the next question?

Operator

All right. I'll move to the line of Jeff Meuler.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

I guess, I had a different take on insurance than a prior questioner, but it seems to me like the underlying insurance growth even ex the hurricane benefits is faster than it was a couple of years ago and I just -- how much of this is moving beyond the headwinds from the end market consolidation versus what other factors are at play, like is there generally an improved selling environment in the vertical? It sounds broad-based in terms of product, but are there any specific big product needle movers or any call-outs from that perspective?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So thanks, Jeff. Yes. And maybe I can start. Mark, please jump in. But first of all, I really appreciate the way you asked the question because there is no doubt that extreme events is -- the fact that there are extreme events is a productive factor as it relates to the rate -- the growth of our business, but it is a very long term sort of an effect underlying our results over very long periods of time. You can probably add a few tens of basis points that are there because there are extreme events. Sometimes they peak, sometimes, it's much more modest. But if you look over long cycles, there's something there, but it doesn't really explain what's going on in our business. So thank you for the way you characterized the question, first of all. The only thing I would really call out as a point-specific thing, actually, is the movement into remote imagery. That is a -- that's news. And that's been productive for us. Otherwise, I do think of it as broadly based and really, it's fundamentally about how innovative can we be. Our customers are trying to revolutionize their businesses with data analytics. And so it's really on us to be relevant and fast. And that's what determines the rate at which we grow. I -- our insurance capabilities, footprint, customer list are all stronger than they were a couple of years ago. So to your point, fundamentally, and I think it's very broadly-based, remote imagery would be the one call-out. Mark, I don't know if you want to add anything to that.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

I think you highlighted the good products. I think we highlighted a few in here, but international I think, is going to kind of headline some of the growth and I think the way you opened was strong. I mean, I think we've always had great positions. But with some industry consolidations that does run a bit to our negative and this kind of moves beyond that at this point so good product development and good growth internationally. Limited headwinds helping us along the way.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay. And then Lee, just a follow-up in your answer to Judah's question, it wasn't clear to me. Were you saying the percentage of revenue that's worked its way -- or the percentage of bookings that have worked its way into revenue from the TSYS contract or were you saying the other large multiyear contracts and basically saying those are all coming in according to plan and this is all just the TSYS delay and media effectiveness into banks?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

No, no. Yes. So I -- it was with regard to the broader group of contracts that I think was referred to at Investor Day at the time. And so my last sense is that -- and that kind of separate from the TSYS relationship and those opportunities, and so far, what we have worked into or have realized of that pool. And I don't have a current update because we don't track those as a group individually, but our sense that those were coming in according to plan.

Operator

Your next question comes from the line of Toni Kaplan.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

You've highlighted across the years, just the importance of cross-selling as a key growth driver. And I -- in the past, I think, in insurance, you've sometimes mentioned the average number of products that your customers have bought and how that's been trending, but like, basically, I was wondering if there are some metrics maybe that you could give us that would be helpful for us to understand, just your progress with regard to cross-selling? Anything -- any sort of color would be helpful.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So, Toni, I appreciate you remembering this slide, we try to use it every year. We actually started to prepare for this day and this Investor Day, I think we've had similar positive results. I think what we've done, as you recall, we kind of grouped the number of products we had into about 25, 30 categories. And our sales team have this, kind of, this checkerboard approach, where we're looking to do project -- excuse me, account planning across all the different product sets. And we have a little bit of -- we call it the competitive chalkboard. We're trying to win business every day and we have realigned our sales force in such a way that we have a team that's focused outside North America. That's progressing. We have teams that are organized like our customers' personal lines and commercial lines and being able to sell a suite of solutions to personal lines or commercial lines has been winning. And I think it gives them a broader perspective on what customer needs are, a broader understanding of our products themselves. And those are the type of things that we focus on. We focus on customer retention. We focus on revenue from our new products or billings from our new products and a combination of pipeline and close sales. And we look at it basically monthly with a deep dive every quarter. So that process, those metrics continue to be positive.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

And Lee, I wanted to ask my follow-up on capital again -- capital allocation, again. And so you have a 2.5x gross leverage target. I'd say that's fairly in line with the average of peers. Your business is very highly recurring. So one could argue that you could sustain a higher level, but on the other hand, maybe in certain environments, you would want to be higher or lower. So what are your thoughts around 2x? And is that a dynamic target? Is that the right target? Just wanted to hear your thoughts on it.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. And Toni, very briefly, I think we are managing leverage generally within the 2.5 to 3x range, I think, that's what we believe is consistent with our run rate expectations for our ratings categories. So I would think about it as kind of being within that. It may be towards the lower end or towards the higher end, but that kind of is our target range.

Operator

Your next question comes from the line of George Tong.

Allison Morgan Chou ***Goldman Sachs Group Inc., Research Division - Research Analyst***

This is Allison Chou on for George. Can you comment on the progression of integrating the various acquisitions you've made? And more specifically, how we can expect the process of integrating those deals to narrow the gap between organic and reported margins?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Well, you're actually asking 2 questions there. So Lee, maybe you would take on the second one in a moment, which is just the interplay between inorganic then becoming organic. I'm really happy with the integration of the companies that we brought in, in 2017, which fall into 3 primary categories. One is, we stitched together a set of regional imaging companies into one national capability. Very happy with the progress that we've made there. Secondly, we acquired Sequel over in the London market. That has been a textbook integration and we are -- and we've -- we're already presenting to customers the integrated product opportunities that come from that. And then lastly, is PowerAdvocate. As we've noted for folks, PowerAdvocate has already made sales based upon relatedness to other things we do on the energy side. And I would actually say that, that one flows in both directions because PowerAdvocate is, I'll use a funny word, very invasive, where our customers are concerned. I mean, it gets right into their systems and draws data out of our customer systems and is so good at managing large amounts of data that it actually facilitates other opportunities to help energy companies digitally transform. So it's just all green lights with respect to integration. Lee, just the inorganic to organic crossover, I don't know if you want to comment on that.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes, I'm going to touch on that. There are really 3 components. So we wanted to provide the organic so that analysts and investors could see that a like-for-like comparison without the influence of an acquisition before you have it in both periods. But I think, as you think about that delta, I think there are 3 components. One is going to be -- and we do have upfront costs associated with the deal that are nonrecurring. And so that will impact those near-term reported margins with the expectation relative to the deal as those pass on, that will improve the margin. Secondly, as we integrate the margin of the business into our overall, that may have a positive or negative impact on the blended margins. Generally, at the scale of the acquisitions, that's not going to have a material impact. But the most important component is what with each of our acquisitions we hope to do by improving the operating leverage of the business, extending the distribution and improving the productivity. And so that's something that we expect -- while the historical margins are going to trend towards that reported margin. What's not captured is over time, our expectation with each of these acquisitions, that we will see margin improvement through their natural operating leverage as they grow, plus the additional benefits that we can bring either on the costs or on the revenue side. So that's the way I think about the trend of that organic relative to the reported margin in a given period.

Operator

Your next question comes from the line of Joseph Foresi.

Michael Edward Reid ***Cantor Fitzgerald & Co., Research Division - Associate***

This is Mike Reid on for Joe. We're just thinking about the Energy business and kind of the mid-single-digit growth we're seeing now. Is this a good way to look at it going forward? Or could this potentially improve if CapEx spending improves with better oil prices and without the headwind from the large investment banking client when that rolls off?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. I mean, two things. One is, yes, as I said earlier, we've got 3 verticals. And it's hard to handicap which will be the fastest growing in the coming 5 years. I think Energy has a lot of promise. We talked about the fundamental factors at work there. And those of you who have followed us for a while know that a lot of what we do in Energy is based on multiyear agreements. And so we've been cycling through those agreements as we pulled out of the commodity down cycle. And essentially, we just think that with time, these effects will -- the constructive effects will continue to be seen in what we do. So we have a very positive outlook.

Michael Edward Reid ***Cantor Fitzgerald & Co., Research Division - Associate***

Great. And then, I think, you noticed previously this year, price increases may be minimized, but would you still be looking to take advantage of pricing opportunities next year?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Are you on the Energy vertical?

Michael Edward Reid ***Cantor Fitzgerald & Co., Research Division - Associate***

No, no. I'm sorry. On insurance.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Price is always a factor inside of what we do. Our products don't come back year-over-year the same and the customers know that. So there's naturally price progression in most everything we do. Mark, (sic) [Mike] I think most of the multiyear agreements we write in insurance have year-over-year price escalation associated with them. So that's a persistent effect in our business. I don't see it as becoming more or less meaningful than it has been in the past.

Operator

Your next question comes from the line of Andrew Jeffrey.

Andrew William Jeffrey ***SunTrust Robinson Humphrey, Inc., Research Division - Director***

Quickly, I wonder if you could articulate a little bit your Internet of Things strategy. How you see that playing out, how it functionally affects your solutions and so forth?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Sure. So I think you've probably seen the announcements. We are trying to aggregate a lot of information, not just from telematics and from cars, but even things around buildings and homes. Two primary focus, let me start with the side of Claims. We feel that we can very much effectively and more efficiently handle the first notice of loss process as it kind of starts inside the car. We put up relationships between what we have and the OEMs or the car manufacturers in combination with insurers so that we can speed a claim process, both the notification and the payment thereof. So that is a good news item. It helps the policyholders, helps the claims department, it saves money. And on the Underwriting side, it's about pricing. The information that is available from connected cars from mobile devices, it can tell you about how fast and how good and the behavior of the driver. And that information is effective in pricing your insurance policy. So we are taking steps to bring that information into both kind of the personal and commercial lines pricing so that our insurance customers can be better and more active in assessing that risk and pricing.

Operator

The final question will be coming from the line of David Ridley-Lane.

David Emerson Ridley-Lane ***BofA Merrill Lynch, Research Division - VP***

So within the Energy segment, I'm hoping to understand how far the cyclical rebound and core research for WoodMac revenue has proceeded? And where are we relative to prior peak revenue or client counts on that core WoodMac area?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

So client retention is very high. So -- and in fact, we have more customers than we used to have. And as I noted before, the sort of the progression related to research, it's really a function of multiyear agreements rolling off, new multiyear agreements being signed. That has been at work -- since you could really call the turn of the commodity, which is within the last year, we've seen that effect at work. It will continue to be at work as we go forward. Basically, the condition of the commodity is no longer an issue. We consider this a normalized environment that we're in now. So it's constructive and productive for the work we're selling today and the work we hope to be able to sell in the future.

Okay, okay. All right, everybody, thank you. We appreciate your interest and I'm sure we'll be talking to a lot of you in immediate follow-ups and no later than next quarter. So thanks very much. Have a great day.

Operator

This concludes today's conference. You may now disconnect.

THOMSON REUTERS

EDITED TRANSCRIPT

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PRESENTATION

Operator

Good morning, my name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Verisk Analytics Third Quarter Earnings Conference Call. (Operator Instructions)

I would now like to turn the conference over to Stacey Rodbar. Ma'am, you may begin.

Stacey Rodbar ***Verisk Analytics, Inc. - Head of IR***

Thank you, Regina, and good day to everyone. We appreciate you joining us today for a discussion of our third quarter 2018 financial results. With me on the call this morning are Scott Stephenson, Chairman, President and Chief Executive Officer; Mark Anquillare, Chief Operating Officer; and Lee Shavel, Chief Financial Officer. Following comments by Scott, Mark and Lee highlighting some key points about our financial performance, we will open up the call for your questions.

The earnings release referenced on this call as well as the associated 10-Q can be found in the Investors section of our website, verisk.com. The earnings release has also been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

Finally, as set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

Now I will turn the call over to Scott.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Good morning, everyone. It's good to be reporting another quarter where we can see strength in organic growth of our business across all our verticals. Excluding exceptional events in the third quarter of 2017 in the Insurance segment due to extreme weather and in the Financial Services segment due to a contract signing, the organic growth of our company was 7.5% in the quarter, consistent with our long-term model. And the profile of our growth is also reflecting our long-term model in that it is balanced across all the verticals.

I thought I would take a few minutes this morning to comment on the environment in which we do our work and the factors which interact with our results. Fundamentally, we are aligned with one of the most powerful movements in the economy, which is, companies harnessing data analytics with even greater focus and investment. There is a new level of digitization of business operations that has become a necessity for companies and all the verticals we serve. While the notion of data as an asset has been around for a while, companies now are compelled to change the way they interact with their customers by becoming faster, more automated, more visual and easier to use. These changes at the front end of the business model require companies to rewire most everything behind the front end as well.

As businesses become more digital, they accumulate more data in real time, and this causes them to become more analytic, given the decreased cost of ingesting and storing the data combined with improving data science. Against this backdrop, our ability to help our customers on the digitization journey, in combination with our unique data sets and deep domain knowledge, give us expanding opportunities to add value for our customers. The search for efficiency and insight from data analytics will only increase for our customers. As long as we remain close to our customers, hearing their emerging needs and responding with timely, useful solutions that leverage our scale across industry participants, our value to our customers will grow. It is a positive thing for us that our customers are becoming more data analytic and hiring more data scientists. This increases their propensity to value the things we do.

We are always alert to 3 risks: Is the regulatory environment changing? Is the structure of the verticals we serve changing? And is the environment causing changes in the cost of doing business?

On the one hand, the regulatory front has seen some change, but on the other hand, there have been few changes that have materially impacted our business. One noteworthy move with the last several years has been more scrutiny in the banking sector, but the only effect has been our need to make some of our products more ready for reporting requirements and that shift has already occurred. At the societal level, there has been movement toward more concern about data privacy with approaches, such as the General Data Protection Regulation, or GDPR, in Europe. The primary effect of this is to reinforce the diligence we have always brought to keeping our data assets secure.

Although data analytics, innovation and technology continue to evolve and increase in importance, the structure of our industry verticals is not changing to any material degree. In Insurance, the global reinsurers and brokers have seen some consolidation as they work to adjust to a world in which risk can be borne directly by the capital markets. But the bulk of our work is with primary insurers, and the reinsurers are being affected in modifying their businesses. And more generally, the effect of digitization is to reduce distribution advantages and fixed costs, both of which will lessen the incentive to combine companies for cost advantage.

The environment carries 2 trends which push our costs in opposite directions. On the people front, we are increasing the mix of our team, which comes from the hardcore data science world. These folks are highly sought after and paid accordingly. On the technical infrastructure front, the move toward cloud computing and away from premise computing will reduce our computing and storage costs. We are in the early stage of seeing these benefits.

So our overall perspective is that the basic conditions of our environment remain constructive. What it's down to, therefore, is the depth of our relationship with our customers and the capability of our team to innovate solutions and make them work for our customers.

In the past 30 days, I visited with 4 CEOs of our leading customers. In every case, I came away with an enhanced sense of opportunity. As they take their businesses forward in a digitizing environment, their expressed preference is for a relatively short list of partners who can make sense of all the technical innovations and relate them to existing workflows. In such an environment, a trusted and tested partner like Verisk stands taller. As long as we continue to invest to keep our customers at the leading edge of innovation and do so with efficiency, we will realize value.

On the talent front, I just received the results of our most recent employee engagement survey. We have, once again, qualified as a certified Great Place to Work. Additionally, Forbes has named Verisk to its World's Best Employer list and its America's Best Employers for Women's list in 2018. This is supportive of our business because our talent is what drives our customer depth and innovation agendas.

We are expanding our business footprint globally, and in line with this, we are making moves to have centers of excellence in multiple geographies with special focus on India and Eastern Europe.

Lastly, our progress in the U.K. market remains encouraging with recent contract signings with market leaders. We are viewing our approach there as a template we will use as we target other specific markets in Europe and Asia.

So with that, let me turn the call over to Mark

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Thanks, Scott. In our Insurance business, we had another strong quarter with all insurance-facing businesses, Underwriting & rating as well as Claims, contributing to growth. Let me highlight a few areas that drove top line growth and update you on several initiatives that better position us for the future.

During the quarter, Underwriting & rating delivered another strong quarter of organic growth across personal lines underwriting, extreme event modeling and industry-standard insurance program through a combination of cross-sell of existing solutions to new customers and the sale of new innovative solutions.

Our Risk and Analytics Summit recently took place in Jersey City. Focusing on our underwriting and pricing solutions, we covered a wide range of topics including industry disruption, talent training in the insurance industry and cutting-edge technology, in combination with demonstrations of some of our newer solutions. The conference attracted about 150 insurance companies from around the world and featured a list of more senior-level attendees this year. Feedback was very positive, with participants excited by the direction of our solutions and complimentary of the diverse and thought-provoking sessions.

The engagement with customers was strong, further cementing the type of relationship that has led to our high customer retention rates, and Verisk demonstrating the thought leadership in the property and casualty insurance industry that clients expect.

In our extreme event modeling business, growth in AIR solutions remains strong. During the quarter, AIR Worldwide released Touchstone Re, a new catastrophe modeling application designed for estimating the loss potential of reinsurance contracts and portfolios, industry loss warranties and insurance-linked securities.

Touchstone Re is a major upgrade from CATRADER, that enables companies to model and price complex reinsurance structures, understand where their exposures are concentrated around the globe and summarize their portfolios and aggregate their overall risk.

As you may recall, 2017 was marked by exceptional storms globally, including hurricanes Harvey, Irma and Maria in the United States. In fact, 2017 was a record-setting year with the catastrophe losses of more than $130 billion across the industry, which compares to an average loss of about $55 billion over the 10 years prior to 2017.

Our Claims business benefited from the severe weather in third quarter 2017, which resulted in a revenue surge of approximately $8 million. After normalizing revenue from severe weather, our Claims business unit experienced another very strong quarter with organic growth across all business units.

Let me provide some color on these successes. The foundation of our Claims business unit consists of 2 core solutions: ClaimSearch, our industry fraud prevention solution; and Xactware, our repair cost estimating and workflow tools. These solutions are well penetrated and deeply embedded in the workflows of U.S. insurers. From this strong position, we have been successful growing the business through a couple of avenues.

The first path for growth is the sale of these core solutions to new segments. We continue to extend the consortium data and the use cases for our claim solutions, including new lines of insurance such as health and disability. During the second half of 2017 and into 2018, we extended beyond insurance companies and have signed several contracts with service providers to help them manage their workflow and better serve their insurance customers. In addition, we continue to gain market share in the repair cost estimating market by signing new contracts during 2008 (sic) [2018] that have contributed to the growth.

The second avenue of growth is the development of new analytic solutions, leveraging our underlying core solutions. A few examples of success include ClaimDirector, our expert claim scoring systems that helps customers distinguish between suspicious and meritorious claims. This proactive, fraud-fighting tool provides scores based on the analysis of each claims attribute and the broader industry data from ClaimSearch.

In addition, Claim Experience, a digital engagement platform that provides insurance companies with important tools to help claims representatives work more effectively with policyholders. This workflow tool leverages the underlying Xactware solutions and helps insurers engage with their policyholders in their supply chain.

Finally, Geomni, our business unit that aggregates an image library of commercial and residential structures and leverages advanced analytics to extract measurements and data.

Although applicable in many markets, Geomni's early success has been in the insurance claims adjusting market due to the tight integration with our Xactware repair cost estimating tools. This has resulted in noteworthy efficiencies for our insurers and strong growth at Geomni, where we have signed several new contracts and have gained market share.

Across all businesses, from both a customer and financial perspective, we are very pleased with the performance of the Insurance business.

With that, let me turn the call over to Lee to cover our financial results.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thanks, Mark. First, I'd like everybody to know that we've posted a quarterly earnings presentation that's available on our website. The presentation provides some background data, trends and analysis to support our conversation today.

So moving to the financial results for the quarter. On a consolidated and a GAAP basis, revenue grew 9% to $599 million. Net income was up 37.5% to $166 million for the quarter. Diluted GAAP EPS was $0.99 for the third quarter of 2018, an increase of 37.5% compared with the same period in 2017.

Before I begin discussing the financial results in more detail, I would like to call your attention to 3 exceptional items in the quarter that impact year-over-year comparisons.

Number one, Insurance segment organic constant currency revenue growth and adjusted EBITDA growth were impacted by $8 million in exceptional storm-related revenue in each of the third and fourth quarters of 2017. This was the result, as Mark described, of exceptional client activity related to hurricanes Harvey, Irma and Maria in 2017.

Two, Financial Services segment organic constant currency revenue growth and adjusted EBITDA growth were impacted by $6 million in nonrecurring TSYS project revenues in the third quarter of 2017, as we described in our last earnings call. These revenues were the result of the initiation and implementation of our partnership with TSYS and do not reoccur. We do anticipate, over time, revenues from the joint marketing of our analytics products to TSYS customers.

And three, in August 2018, the subordinated promissory note associated with the sale of our healthcare business in 2016 was settled in full for cash proceeds of $121 million. As a result, we recorded a gain of $12 million in the third quarter of 2018. The interest income associated with this note was approximately $1 million per month or $3 million per quarter. Given the settlement timing, we recorded interest income of $2 million in the third quarter of 2018 compared to $3 million in the prior year's quarter. The related gain and interest income from the note settlement were excluded from all adjusted EBITDA calculations. Please note that historically, this interest income was included in adjusted EBITDA. Consequently, our ongoing adjusted EBITDA will be reduced by $3 million per quarter, mostly in the Insurance segment.

With those items covered, let's focus on our organic constant currency results for all year-over-year growth rates and to eliminate the impact of currency fluctuations, recent acquisitions for which we don't have a full year-over-year comparison and nonrecurring items.

Acquired revenue and adjusted EBITDA in the quarter from all deals that haven't moved into organic results were $32 million and $9 million, respectively. On a reported organic constant currency basis, Verisk delivered revenue growth of 4.7% and adjusted EBITDA expense growth of 7.9% for adjusted EBITDA growth of 1.6% and an adjusted EBITDA margin of 48.5%. The revenue and adjusted EBITDA growth rates reflect the impact of the exceptional storm activity and the nonrecurring TSYS revenue in the third quarter of the prior year. Normalizing for these events, revenue growth would have been 7.5% and adjusted EBITDA growth would have been 7.1%, reflecting organic growth across all our industry segments. Adjusted EBITDA margin for the quarter of 48.5% was down slightly from 48.7% on a normalized basis in the prior period.

Now let's turn to our segment results on an organic constant currency basis. As you'll see in Table 2 in the press release, Insurance reported 5.5% revenue growth and adjusted EBITDA growth of 2.5% reflecting the inclusion of exceptional storm revenue in the prior period. Excluding these events in the prior year, Insurance revenue would have grown 7.7% and adjusted EBITDA would have grown 6.4%, reflecting an adjusted EBITDA margin of 54.3%, down from 55% in the prior year on a normalized basis due to continued investment in Geomni and other breakout opportunities as well as higher commissions related to the strong sales and higher salary and benefit expenses to support growth opportunities.

Within our Underwriting & rating business, we saw solid performance with healthy growth in both personal and commercial lines. Within Claims, the strong growth was driven by solid performance across most of our Claims businesses, partially offset by a modest decline in our workers' compensation claim resolution services.

Energy and Specialized Markets delivered revenue growth of 6.3% in the quarter, up from 5% in the prior quarter, as the energy industry continues to recover. Growth improved in both our consulting and research solutions, and we also had a positive contribution from environmental health and safety revenues.

Adjusted EBITDA increased 9.1%, also an improvement from 0.9% growth in the prior quarter. Adjusted EBITDA margin of 31.8% was up from the prior year period of 31%, despite the ongoing investments in WoodMac 2.0 and our chemicals, subsurface and power and renewables breakouts that increased headcount and associated compensation expense. These areas represent opportunities to leverage Wood Mackenzie's data and industry expertise more broadly and to deliver and develop products more swiftly and efficiently.

Financial Services revenue declined 9.2% in the quarter and adjusted EBITDA decreased by 28.6%, reflecting the impact of the nonrecurring TSYS revenue of $6 million in the prior year period. On a normalized basis, revenue would have grown 9.1% in the quarter and adjusted EBITDA would have grown 15.2%, reflecting growth in portfolio management solutions, which includes our foundational benchmarking analytics and spend and marketing solutions, where we are leveraging our data and expertise in consumer spending to support both financial and nonbank clients.

In addition, expense control contributed to the strong adjusted EBITDA growth. Adjusted EBITDA margin of 34.7% in the period compares to 32.8% in the prior year on a normalized basis.

We continue to be encouraged by the progress in our Financial Services segment and certainly are pleased by the strong normalized results in this quarter, demonstrating the core growth potential of the business. It's important to keep in mind that we are working to reduce the variability of revenue in the business, particularly around project-based items. As we continue to work through this process, the Financial Services segment will continue to have a higher level of quarterly fluctuations on revenues and growth in our other segments.

Reported interest expense was $32 million in the quarter, up 6.6% from the prior year quarter, due to the funding of acquisitions in 2017. Total reported debt was $2.6 billion at September 30, 2018, down from $3 billion at December 31, 2017. We used the proceeds of $121 million from the repayment of the subordinated promissory note to pay down debt, and our leverage at the end of the third quarter was 2.2x. Our consolidated cash and cash equivalents were $152 million at September 30, 2018.

Our reported effective tax rate was 13.9% for the quarter compared to 33.2% in the prior year quarter as the result of recent tax reform. Our effective tax rate was lower than our targeted range due to significant exercises of soon-to-expire employee stock options related to our 2009 IPO that produced a favorable tax rate impact.

We are maintaining our estimate of our effective tax rate in 2018 to be between 16% and 18%. However, the timing and impact of employee stock option exercises depends, in part, on the Verisk stock price and personal decisions. We expect the impact from employee stock option exercises will be less pronounced in 2019 and thus we will revert to a higher effective tax rate.

Adjusted net income was $182 million, and diluted adjusted EPS was $1.08 for the third quarter, up approximately 30% from the prior year. This increase reflects organic growth in the business, contributions from acquisitions and the impact of 2017 tax reform. Equalizing the third quarter 2017 effective tax rate to that of third quarter 2018, adjusted net income and diluted adjusted EPS would have increased 3.7% and 3.8%, respectively. Further normalizing for the elevated storm and TSYS project-related revenues in the quarter, net income and diluted adjusted EPS would have increased 9.2% and 9.1%, respectively.

Net cash provided by operating activities was $227 million for the quarter, up 39.7% from the prior year. Capital expenditures were $55 million for the quarter, up 33.7% from the prior year, reflecting primarily increased investment in Geomni and software development for recent acquisitions. As we've discussed previously, 2018 will be the peak year of capital expenditure for Geomni. Free cash flow was $172 million for the quarter, an increase of 41.8% for the prior year.

We returned $102 million in capital to shareholders through the repurchase of approximately 1 million shares in the quarter at a weighted average price of $117.97. At September 30, we had $584 million remaining under our share repurchase authorization, and in addition, we initiated a new $50 million accelerated share repurchase to be executed in the fourth quarter.

In conclusion, I want to add an additional perspective. As you know, we are very focused in these calls on the results for the quarter. However, given the 3 items that impacted the quarter as we approach year-end, I think it's useful to step back and look at our year-to-date results for the Insurance segment and Verisk as a whole.

For the year-to-date period, on an organic constant currency basis, and not, I repeat, not normalized for the exceptional storm activity, revenues were up 7.5% and adjusted EBITDA was up 7.6%, demonstrating margin improvement. On the same basis and not normalized, Verisk revenues were up 6.3% and adjusted EBITDA was up 5.8%, reflecting a slight overall margin decline from 49% to 48.8%, despite very high margins from the storm and nonrecurring project revenue in the third quarter of last year.

These overall results, of course, reflected weaker performance of our non-Insurance segments earlier in the year and tough comparisons in the third quarter. However, in the third quarter, we demonstrated continued progress in operating revenues and margins for both segments.

We are excited about the opportunities to invest in our business and remain focused on the long-term profitable growth and solid returns on capital. We remain confident that we have the financial strength and capital structure to support investment for the long term.

We continue to appreciate all the support and interest in Verisk, and we look forward to seeing many of you -- as many of you as possible, at our upcoming Investor Day on December 6 in New York City or welcome your participation through our webcast.

(Operator Instructions) With that, I'll ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Manav Patnaik with Barclays.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Scott, my first question was just tied to your opening comments around digitization and the opportunity there, and I guess, more specifically, just in terms of the Decision Analytics side of insurance, like how do you think that will perform, if we do enter a period -- a tough period here in the next couple of years?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

I just want to clarify your question. So you say a tough period, meaning the performance of the insurance -- the state of the insurance industry?

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Well, yes. I mean, just -- if you do hit a recession, broadly, in just the Insurance offers, like how do you think the analytics piece of your Insurance business...

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

I got it. I understand. Yes, thank you. Well, the best answer to that, I think, is actually found in our own historical performance. There was a consecutive 5-year period where premiums were down year-over-year, and our business performed very well during that period. And the reason is that what the insurance companies need to do, whether they're in particularly strong moments of the cycle or weaker moments of the cycle, is to continue to upgrade their ability to ingest information, translate it into insight and then reflect that in a way they price their products, structure their products, adjust claims around their products, et cetera. That is the work of the insurance companies and that's what we're fundamentally a part of. So we're very comfortable with how our business -- our Insurance business will do almost regardless of the cycle. I mean, I'm saying that very strongly. Obviously, sort of extreme events in the moment can have an effect, but we've actually been through this and our business held up very well.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Okay. And Mark, maybe just in terms of some of the new products and so forth you were calling out. I guess, maybe the one area maybe you can just update us on is the telematics initiative. I mean, it sounds like all the insurance companies are obviously talking a lot more about it on their calls, but just curious how we should think about when your exchange starts driving some contributions.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Yes, thank you. Good question. I think we are very pleased with the position we're in. We have these really exclusive arrangements with some of the larger OEMs and that has cemented us. So now it's -- every day, we have more cars, more miles and better data on that exchange. The early returns are really focused on 2 things. One, there's approach on the claim side to be easier and helpful to those driving your automobile. So think of an accident occurring. First of all, is there some safety or public safety you need, ambulance? Can we get you a ride, tow truck? But also, let us quickly through a hot and warm transfer, notify the insurance carrier that there's a claim. So this is a first notice, all automated. That is very attractive to all parties involved and that seems to be probably the place we lead. Secondly, we have found that a lot of carriers are taking the data and the information that is coming off, we call it, model-ready data. But basically, they're using the data to model and they're finding great lift in pricing policies using that industry or data exchange. So early days. I think it will continue to grow. I would say that we all think that IoT is happening, but probably at a slower pace than what we've seen in Europe and elsewhere. We remain optimistic and we love the position we're in.

Operator

Your next question comes from the line of Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

First, I wanted to ask about the Insurance EBITDA. I think, Lee, you mentioned that there is going to be sort of $3 million lower in the future quarters in Insurance EBITDA because of the interest expense recorded from that promissory note. I wanted just make sure I had that right. And so basically, this quarter, you adjusted out that as well as the gain so it would really be as if this quarter didn't have it, but prior quarters did. I just want to make sure I understood that right.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes, thank you, Toni. I appreciate the opportunity just to go into a little bit more detail on that. And so -- you referred to it as interest expense. Just to be clear on the note, it was an asset that we hold. We were receiving approximately $3 million of interest income on that note. And the reason that it's in EBITDA is that under the SEC definition of EBITDA, you take net income and you add back interest expense, not net interest expense, so it's included in that calculation. And so since this was an acquisition-related activity and we want to certainly separate out the gain and the impact of the interest income for comparability, that -- the gain has been excluded. And then to the extent that there is any interest income in the period, we have excluded from the third quarter of 2017, $3 million of that interest income from our EBITDA, and in the third quarter of 2018, $2 million of the interest income that we realized before its redemption. And so the thing that we want for all of the analysts to understand is that going forward, that $3 million, which is in all of the segments, but the bulk of it is in Insurance, I would think of it at a corporate level of $3 million of EBITDA that comes out of our future quarterly results. Does that clarify things?

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

It does. And as my follow-up, I wanted to ask about Energy, really good, strong organic growth quarter there. Just -- if you could give us a little bit more detail. I know you mentioned the market's recovering, but just what are you hearing from clients? What are sort of some of the -- is it sort of driven by the consulting, the strength? And basically, do you think that the positive trends should continue in the fourth quarter as well as into next year?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So maybe starting at the end of that, Toni. The performance of that segment is really pretty broadly based, and what I mean by that is that it spans the kinds of solutions that we have traditionally provided, so sort of the core, look at the supply chain of the oil and gas space, but also includes the upstream subsurface kinds of analytics, which are relatively newer for us, analytics related to the renewable forms of energy. And then kind of over the top, on all of that, the digitizing trend that I talked about probably is differentially being felt more strongly in the energy space than it is in the others because energy actually had started further behind. So we talked a lot about WoodMac 2.0 and essentially sort of changing our own technical infrastructure, which allows us to interact with our customers differently. That's a constructive movement in the business because our customers themselves are also changing their digital methods on the commercial side of their businesses. So it's really very broadly based. If you were to think of it in terms of sort of what it is that's getting delivered and looking at where we have been in 2018 and where we're going in the future, we're always encouraged when we see consulting do well because it tends to be a leading indicator of the propensity of our customers to be thinking into the future. And that has been strong, so that's an encouraging signal for us. But as those of you who are familiar with our story know, most of the revenue is related to subscriptions. And over the course of 2018, subscriptions have advanced nicely also across several of those thematic categories that I talked about. So it's not really any one thing. It's really broadly based.

Operator

Your next question comes from the line of Andrew Steinerman with JPMorgan.

Andrew Charles Steinerman ***JP Morgan Chase & Co, Research Division - MD***

It's Andrew. I wanted to talk about 2 things around Argus. I know it's a smaller business for you. The first one, Scott, you said something about your prepared remarks about kind of changing products to, I think, just to regs. And I was wondering if that's Argus-related comment because I remember, in the second quarter, you talked about some regs about targeting within Argus that needed changes for the customers. And my question is, have those changes been made and have customers moved forward? And the second question is, the contracts that were announced at Analyst Day, have those ramped up?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Thanks, Andrew. Yes. So to your question about the models, that comment in my remarks was related to Financial Services and Argus specifically. And what's going on there, just to sort of reprieve that real quick is that in the face of mounting regulations, the amount of documentation that is required on some of your models, if you're a bank or you're a credit card issuer, have really, really ramped up. And so we had created some offerings that were pretty popular with our customers and that's summarized a lot into what we call a wallet share model. And so if you're going to you sort of a wallet share model, what the regulators have said is, "You cannot sort of operate that as a black box. You're going to have to show us what's inside of your black box." And so the sort of the burden for our customers opening up the black box really got sort of pretty large. And so in the face of that, what we've done is we have essentially disaggregated some of those models and sort of essentially taken the attributes which build up into the overall view, and that's what we're now making available to our customers. So I just want everybody to understand that's the movement. So the inside is still useful, but the way it gets presented has had to change. And then to your question, so in the third quarter of 2018, the net effect of moving -- some of our customers moving away from the wallet share models and moving into the attributes was essentially a drag on the revenue line in the third quarter. So the transition is not yet complete. What that means is, actually, that there is upside for us going forward. We're feeling -- we have felt over the last couple of quarters the burden of that transition, and as we go forward, that's going to eventually even out or even move in the right direction.

Andrew Charles Steinerman ***JP Morgan Chase & Co, Research Division - MD***

And Scott, I asked about the 8 contracts from Analyst Day.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Right, Michael, let me take that one. So the answer is from over this period, there has been a portion of those contracts that we have executed and have begun generating revenue, and then there have been a portion that has fallen out. We have -- and I appreciate your assiduousness in tracking that. It's not something that we are tracking on a regular basis. We're obviously looking at kind of current portfolio. But we have realized some of those contracts, and some of those, we did not get to execution on. And I can try to give you more detail on that once we've kind of researched and tracked those specific items as we have in the past, but I don't have those numbers in front of me.

Operator

Your next question comes from the line of Hamzah Mazari with Macquarie Capital.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

My question is just around pricing. Just given inflation in the system, but more importantly, given your investment in new data sets, are you guys thinking about pricing differently than when you were owned by the insurance companies versus even just before you had Geomni? Just any sense on pricing philosophy and how that is changed and what we should think about going forward.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. Our pricing philosophy is the same as it's always been, which is that we price to value. So we're very focused on the utility of our solutions for our customers, and it's on that basis that we set the prices for the solutions that we provide. And as has always been the case, our preference and the heart of our model is recurring subscriptions. And we find that, that's good for our customers. They like knowing with some certainty what they're going to be paying for our solutions, and it's good for us because of the visibility and the recurrence. So we normally try to -- that's where we try to set our pricing model. There are some occasions where, with newer solutions, particularly, the customers would prefer that we start out transaction priced because

(technical difficulty)

exactly how much of it they're going to consume as they begin using it. And so we're perfectly happy to do that when that's what the customers want. But we generally find, with time, that they would like us to transition to subscriptions. And then the last thing I'll add is, as a part of our pricing philosophy, that we generally attempt to achieve multiyear subscriptions with price inflators on an annual basis, which reflects the fact that most of what we do is so basic to what our customers do, it's so embedded in their workflows, that it's just -- there's just sort of a mutual understanding that this is the way business is going to get done. And so our customers are comfortable with signing multiyear agreements. And of course, for us, that just represents an even higher level of recurrence. So everything I just said has been a part of our approach since October of 2009 when you first saw us as a public company, and I'm very certain it will remain our go-to-market approach.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Great. And just a follow-up question, I know you touched on healthcare a bit around Insurance. Maybe just remind us, how much of your business today is not P&C insurance, specifically auto, home, you touched on healthcare? And then maybe do you see any changes in terms of autonomous cars, connected homes impacting that business just from a technology standpoint?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

So Lee, in a minute, I'll let you just talk about the split of our revenues. But yes, autonomous cars and Internet of Things, data coming from vehicles and from homes, very definitely a part of what we're doing. Those are constructive trends inside of our business and will only continue to be more important, especially for insurance companies. So that's just sort of established inside of what it is we're doing. Lee, do you want to just talk about the split of our business?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes, let me -- and Hamza, I think -- well, first, just to kind start off at a high level. Just from the overall insurance perspective, the -- for year-to-date 2018, the Insurance segment represents 71% of our total revenue and 81% of our EBITDA. I think you were asking for color around what portion of our revenues or our business composition is not P&C. And so let me clarify, the vast majority of our Insurance revenues are P&C-related. Auto and home are -- what we do there is P&C, property and casualty-related. So you may want some context around what portion is home-related or auto-related, and perhaps Mark can give you some perspective around that. I don't know that we have that breakout because it's embedded in, for instance, our ISO and our Claims businesses together, but perhaps, we can talk around that. Is that the sort of information that you were looking for?

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Yes, exactly.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

So maybe that's something we can come back to you with to try to give you the breakout on some of those other components. But we don't have those -- a sense of that right now.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Yes, we can do it offline.

Operator

Our next question comes from the line of Andrew Jeffrey with SunTrust.

Andrew William Jeffrey ***SunTrust Robinson Humphrey, Inc., Research Division - Director***

Scott, your high-level industry comments are always much appreciated for perspective. And one of the things I think you said, it touched a little bit on the insurance industry consolidation, and obviously, you have seen that flow through your business for the last few years. And then I think you made some comments on perhaps reinsurance. I wonder if you can elaborate a little bit in terms of how the industry is changing via consolidation and what specifically you think that means to your business, maybe shorter term or intermediate term. I assume, longer term, it's not as big as an impact. But I just wondered if you could maybe be a little more granular.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes, sure. So just all the way to the top, just talking about what the demography of the industry looks like. At the top end of the market, there are a certain number of consolidations each year. My emphasis here would be on the fact that it's really not a very large number. But also bear in mind that there are new entrants into the insurance space on a consistent basis, and several of these are what get referred to as the InsurTechs. Sometimes, they're innovating based upon the way that they segment the market. You have some innovation in terms of, say, peer-to-peer forms of insurance, which are kind of interesting, but they haven't really -- they haven't expressed themselves yet as particularly big trends. But think of it as an industry where, yes, there is some consolidation at one end of the market, but there's also entry at the other end of the market. We do -- we have done very well with the new entrants. They find it really helpful to be able to make use of our methods as they get started. They're efficient. It helps them get in the business quickly. It's actually a credibility point for them as they do their business, et cetera. So as we talk about sort of the evolution -- and these are -- this is very real time, what I'm describing here. As these new companies come into the market, we find that they're very inclined to work with us. When consolidations occur, and again, my emphasis here would be how relatively few of them happen, but when they do occur, it's very situation-specific in terms of what it does to our business. There may be some cases where the 2 companies coming together have -- they're very overlapping in their use of Verisk solutions, and in that case, they very reasonably expect that like-on-like, there might be some reduction in the total invoiced amount for the solution of the 2 companies who were using and now the one are using. But there are frequently offsets to that also because it's also the case that one company may be using our solutions and the other company is not. And in those cases, actually, there's a very nice cross-sell opportunity within that same account. And so we -- when we go through these transitions with our customers, where 2 become 1, we dig in very deeply and talk to them about everything that they're using that comes from us and the things that they're not. And there can be an effect maybe in year 1, although not particularly large. And then on an ongoing basis, generally, the profile of the account going forward, the growth profile is, I think -- Mark, check me on this, but I think it's generally about the same as it was before 2 companies became one. So we note consolidation. And as I say, it's very situation-specific, but not -- it's not a major effect on our business. Anything you want to add to that?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

No. I think the only thing I'll -- I think you're trying to get a little feel for it -- I think we feel that 2017, on the primary side of things, it was kind of business as normal. I think there's some reinsurance mergers that may have a little bit of a headwind as it relates to more of our tech modeling business. That would be my high-level, short-term view of things, if that helps.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes, I mean, there might be a few more situations like where AXA and XL Catlin came together. And that's an interesting one because I think that one actually represents a fair amount of opportunity for us. But I mentioned that one because that has sort of a global, geographic markets dimension and it's also reinsurance sort of being layered more directly on top of insurance inside of this one specific company. So I think you may see some of that, but that's actually the most constructive kind of consolidation I can imagine for us, constructive for us.

Andrew William Jeffrey ***SunTrust Robinson Humphrey, Inc., Research Division - Director***

That's really helpful. And Scott, I think you also made a comment -- maybe Mark, it was in your comments, about Geomni share gains. I wonder if you could just talk about from whom Geomni is taking share?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Well, there's only a few competitors in the market, and I think we've been fortunate to deliver value and provide a completely integrated solution that has been appealing to several insurers and service providers. So we continue to see some opportunities, a good pipeline as well as close sales. So that's contributing to the growth you're seeing in 2018 and should continue into the future.

Operator

Your next question comes from the line of Tim McHugh with William Blair.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Just wanted to follow up on -- there's an earlier question about Wood Mackenzie and Energy, I guess, more broadly -- and I understood they're kind of broad comments, I guess, but can you help us drill down into how we should think about the growth trend within the subscription piece, the high-level number in the earnings release about subscription revenue? The percentage of revenue from subscription would suggest it was very strongly driven the growth in that segment by the consulting piece. And so I understand there's a comparison with the loss in one contract so -- there's some noise there. Can you give more color to help us understand the progress or how much progress, I guess, is being made on growing subscription revenue for that business?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. Actually, quite a bit of progress is being made on subscriptions, and again, I think you do need to look beyond 1 quarter to say the year or even multiple years, but since we really called the turn on the business, which would have been -- just referencing my notes here, about, I guess, about 10 months ago or so. The progression of the subscriptions from then has looked very much like what we would expect and has -- and is very supportive of our view that this is a business which can be -- can perform above the rate of organic growth of all of Verisk, actually. So in the quarter, it happens that the transaction revenues were particularly strong. And yes, we are working our way through one substantial subscription agreement that went off the books in 2018. We've talked about that. But I think that over intermediate and long periods of time, subscription revenue growth will be equal to or probably even exceed the rate of consulting -- or just kind of -- they will both be very strong contributors, but what we're focused on is subscription revenue growth. That's the heart of our business.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Scott, maybe if I can add some perspective. I think, Tim, that when we think about the subscription growth and kind of the core subscriptions, kind of putting aside some of the breakouts -- and the breakouts are also largely subscription-oriented and research-oriented. And we have seen steady progress in the growth rate and new subscriptions in kind of the mid-single digits category before we factor in the breakouts. And then we look at the breakouts, and those have been very strong growths as we penetrated those new areas. And so that gives us confidence, that moves us more into kind of the higher single-digits range. And then on top of that, we have the consulting revenue, which as you point out, was strong. Now consulting revenue and the growth that we saw [us] experience was clearly a significant contributor to the overall growth, but we certainly see continued progress in that strengthened -- in that improvement in subscription growth, supplemented by the breakout subscription growths, which are at a high level. So that maybe gives you some context on relative growth rates, to complement Scott's perspective.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

And I guess, a last point I would make is that a lot of the subscription renewals occur in the fourth quarter and the first quarter. So to a degree, it's not really quite surprising that the third quarter would be relatively a little quieter with respect to subscriptions.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Okay. And then, Lee, just a follow-up to that. Are those growths, when you say mid-single-digits in the core and high single including the breakouts, are you excluding the loss of -- the impact of this customer that you lost?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So that -- what I'm referring to are kind of our -- what we're experiencing currently. And so that reflects the impact of that loss of that large global investment bank. And so I think, as we've talked about in the past, that's kind of roughly a percentage point drag from a growth standpoint.

Operator

Your next question comes from the line of Jeff Meuler with Baird.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Yes, a couple segment-level margin questions. So first, on Insurance, I know that there's other factors in here, like the comp from the year ago and the interest income effect. But just on the aerial imagery investments, I guess, can you just maybe talk about where you're at in that investment cycle, what you're investing in, in terms of product? Because I understand the planes and sensor investments, but I think that would flow through CapEx. So just on the margin impact, I guess, where you're at on the aerial imagery product and what you're investing in currently.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. So Jeff, let me approach it this way. So yes, there is -- certainly, the bulk of the investment from a capital standpoint is going into purchasing planes and sensors in operations. And so that's something that we've talked about before that will peak in 2018. We expect that, that will come down. Further, as we are ramping up our -- the pilots and the personnel in order to drive that, that is effectively an additional investment as we are gathering and expanding the scope and the breadth of data. And so that is factored in and you see that in the P&L. To kind of give you some context, when we look at that impact across Verisk as a whole, that contributes about 1%, roughly, of our expense growth. And that's -- so that gives you some context for the scale of that impact. It has a lesser impact currently on revenue, but we, obviously, are growing at a high rate and so that translates into a slightly also smaller impact on EBITDA. So that kind of gives you kind of a sense of the scale of that investment. Mark, did you have something you wanted to add to that?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

All I was going to say is once you get those planes and those sensors, you now need to put them in the sky. So we're looking to drive coverage as far as both nationwide and frequency, so we can see changes in property. So that causes us to have to put pilots in the plane. There's cost to operate. There's maintenance on the planes. Clearly -- then we take all the imagery. We process it. We're trying to kind of use it for different use cases, and we're extending the analytic capabilities of the team to provide underwriting use cases, extending the claims and cat exposure. So I want to just emphasize, there's an OpEx piece as we continue to do a lot of advanced analytics along with build-out coverage and kind of capability, so...

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

And I think one thing to bear in mind is, I think, as Mark was describing, that the benefits, the use of this data, spans across multiple of our businesses. And so it will have revenue impacts and EBITDA impacts positively as we try to leverage that data across the business.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay, that's helpful. And then on the Energy and Specialized Markets margins. They've been quite good. I feel like a couple of quarters ago, you were calling out some investments there with WoodMac 2.0 and the breakout initiatives. And I don't know if you were more describing why -- when you started presenting segment margins, they were lower than investors might have expected. But I just -- I guess, I wanted to confirm that there wasn't some delay in those investments. They're progressing as planned, and the good margin we're seeing on the year-over-year basis in that segment is even with that investment.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So the -- certainly, there has been a level of investment that we've been making in WoodMac 2.0 as well as in the breakout opportunities that we have been investing in that have an impact. Those are proceeding as we expect. WoodMac 2.0 will be an investment cycle that certainly existed in 2018 and will persist through 2019 as we expand that platform. And that -- we are already beginning to see some benefits of that within the business, but there will be continued CapEx investment, continued OpEx investment in that through 2019. And so that's embedded in those margin numbers. And I think the -- one of the benefits that we saw is that we had good cost control. Headcount growth was, I think, a little lower this quarter, having brought on some of the development folks that we needed on that front. And so that contributed to the clear improvement in margin that we saw in the third quarter.

Operator

Your next question comes from the line of Bill Warmington with Wells Fargo.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

So first question, just a clarification on the storm contribution adjustment. I know that last year was a major year for storms and outsized gains from that. But there also were some severe storms in third quarter of '18, and so when you make that adjustment, how much storm revenue -- was the storm revenue contribution from the third quarter of '18 also backed out? I just want to understand the mechanics of the adjustment.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So Bill, I guess, our view is that 2017 was truly an exceptional year. There's always going to be severe weather. '18 is going to be -- in our mind, unless something really strange happens here at the latter part of the year, it's just going to be a normal year of severe weather. So I don't think we see anything adjusted or any adjustments to or normalization in '18. We have been focused on '17 because of the exceptional aspect. Let me just remind everybody, the way many of our contracts, specifically, the Xactware repair cost estimating contracts work is that we provide access to the solution for a number of claims, and then when you eclipse a threshold, you then get charged per claim at an excess rate. It takes quite a substantial threshold or a number of volume -- amount of volume to get above that threshold. I don't think we're going to see much of that in '18. '17 was noteworthy.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

And then for my follow-up, Nielsen has been talking about how the GDPR regulation has been negatively impacting their marketing effectiveness business. And I know that they're a big user of the Argus data. And the Argus organic revenue growth showed a nice rebound in the third quarter. So I wanted to ask, is that rebound taking place despite or even with that GDPR headwind? Is that something that you're seeing that you're able to overcome?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So GDPR is a contextual factor for us, but not one that I would say is really interacting with our results near term. And as long as we protect our data assets the way that I -- we have, and I expect we will, I do not believe it will be a material impact going forward. So I can't comment on somebody else's construal of the effect of the regulation. But where our business is concerned, we -- the primary effect of it, at the interface with our customers, is we have an extended discussion about contracts because we need to now talk about the assignment of liability at a higher level. We always would have to talk about it, but we talk about it more than we used to. That's really the only effect that I see. And it's not material. It's not material.

Operator

Your next question comes from the line of Gary Bisbee with Bank of America.

Gary Elizabeth Bisbee ***BofA Merrill Lynch, Research Division - Analyst***

So I guess, the first question, when I look back to the beginning of 2017, pretty clearly, you've had a significant investment cycle here: 20-some acquisitions and the meaningful internal step-up, things like Geomni, the new WoodMac platform, et cetera. Can you just frame for us how you think about the returns to the business that this investment cycle will deliver going forward? And I guess, I'm wondering, things like -- should we think of this as incremental to revenue growth or really just bolstering the business so it can continue to deliver? How do we think about the step-down in margins and how that may trend over time, and anything about how you're thinking about the return on this?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Right, good. So I'll ask Lee to talk about margins in a moment, but with respect to the investments that we've made, very substantially, they go in the direction of putting us into new categories of solution sets that we, otherwise, either haven't provided or we provided in ways that haven't fully expressed what it is we can do for customers. So for example, the acquisition of PowerAdvocate puts us in a category of spend analytics for the energy vertical that we weren't doing before. The Sequel acquisition puts us in a position to serve the London market, particularly with respect to complex commercial risks, in a way that we weren't able to serve it before. And then all the investments that we've done in Geomni -- we were in the category of interpreting remote imagery into data sets, into analytics for our customers, but the issue that we had was we didn't have enough high-quality raw material. And so a lot of what -- a lot of the investment, as you heard Mark saying, on the Geomni side was basically to put ourselves in a position to have a lot of great raw material. So again, that is very much saying that -- putting us into a new and different position for enhanced revenue growth on the top line. So -- and then other internal investments, the same. WoodMac 2.0 will carry with it some efficiency gains, but it also makes us more capable in front of our customers. So very much, it is about contributing to incremental growth of our business. It's not about the maintenance of things that we already do. And that is also really part of our feeling about the likely returns of these investments that we're making, which as you would imagine, revenue ramps. Most everything we do is scalable, so as these investments mature and the revenues grow, I would expect to see it be constructive with respect to margin. And also, even if you look at more than just, say, a quarter -- and maybe, Lee, you want to pick up here a little bit, yes, we still see constructive progression in the organic EBITDAs inside of our business, relative to the organic revenue growth rates. So...

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. I would just quickly add, in addition to what Mark described, to develop new sources of revenue growth or enhance the revenue growth that we're generating off of our data, we are also making investments, for instance, in cloud modernization that we think will yield overall improved returns on capital and improved margins for us. So we are making those types of investments as well, and we look at each of those investments on the basis of what type of return are we generating, whether it's through savings or through incremental profitability. So thanks, Gary.

Gary Elizabeth Bisbee ***BofA Merrill Lynch, Research Division - Analyst***

Great. And then just the follow-up for me. So you've lapped 3 of the 4 chunkier, larger acquisitions from 2017 during this quarter. I know you don't like to talk about forward margin trends, but is there anything you called out that would lead us from believing the reasonable pathway here is having lapped a lot of that? That drag that there's been in your profitability goes away at this point or soon? I realize you got a tough comp in Q4 with the Insurance comparison, but anything else you'd call out? Or is it reasonable to think that having lapped a lot of that, things look better from here?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes, so Gary, I think it's important to understand your frame of reference because what we do try to accomplish with our organic constant currency margins is to look at the business on an apples-to-apples basis so that we aren't -- so that the business isn't influenced by those trends. You will see in the difference between our reported and our organic margin that delta reflecting the impact of some of the acquisitions before we have our year-over-year comparison, and those also include some transition costs associated with those businesses. So I think -- perhaps what you're seeing is a narrowing of that -- of the difference between that reported and the organic margin numbers, which, I think, reflects what you're describing, as effectively, the business has now -- is now absorbing that. We still have -- I think in the fourth quarter, we still have PowerAdvocate that is outside of that. So there still will be some adjustments for that, but we are narrowing that gap.

Operator

Your next question comes from the line of Joseph Foresi with Cantor Fitzgerald.

Joseph Dean Foresi ***Cantor Fitzgerald & Co., Research Division - Analyst***

I was wondering, to what extent do you think you could provide -- and I don't want to take anything away from the Analyst Day, but a medium or a longer-term outlook for the growth rates for the segments?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So Joe, thanks for that. We do provide, as we've described before, our target revenue and EBITDA growth rates. And what we've said is that over the long term, we expect all of our businesses to deliver on those growth targets. So beyond that, we don't provide kind of separate for that. I kind of think implied by that, obviously, the Insurance business is going to be expected to deliver on those growth rates. And we certainly expect, over time, and -- or I should say, based on historical performance, have seen both the Financial Services, and we believe Wood Mackenzie have delivered on higher growth rates than that. And we certainly believe that, that's an opportunity ahead of us and something that we are working towards. But those -- we are focused on our overall Verisk growth rates, and each of the businesses are expected to meet those objectives.

Joseph Dean Foresi ***Cantor Fitzgerald & Co., Research Division - Analyst***

Got it. So essentially, those are kind of unchanged as of right now? And then -- just to be clear. And then the second question is, without being sort of on the inside of the business, maybe you could give us the top 2 or 3 drivers of margins at this particular juncture? And any area where you think there might be some volatility on the margin targets going forward?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So from an overall standpoint, the important driver of margin improvement is our ability to leverage our cost base in our businesses -- our data businesses across a broader customer set. And so that's the fundamental driver of that. An additional subscription of our existing data set, however, broadly we define that, is going to have a very high margin and one that is, in all likelihood, higher than our overall margin. And that's the fundamental dynamic that drives our confidence in our operating leverage and our ability to achieve that. I'd say beyond that, we are always looking for ways to become more efficient with the resources that we have. And so Mark has been driving an initiative on looking at how we can be more efficient by leveraging our scale internationally within the business. And so given that personnel costs represent about 70% of our cost base, we're always looking for how we can improve productivity from that base, which is something that Scott emphasizes highly in our discussions with the business. So I think that's another dimension to what we do. And then from a technological standpoint, as I talked about, investment in cloud technology is something that we think has the opportunity to improve our margins, not just by reducing our technology costs, but by facilitating our development of products and our clients' interactions with data that kind of further extend kind of the initial dynamic that I talked about. So those, I think, are -- would be 3 of the -- kind of the things that drive our margins.

Operator

Our final question will come from the line of George Tong with Goldman Sachs.

Keen Fai Tong ***Goldman Sachs Group Inc., Research Division - Research Analyst***

I have a question about organic EBITDA margin performance. You had cited elevated investments in Geomni, breakout opportunities and commissions performance as drivers of the contraction, even on a normalized basis, on a year-over-year basis. So looking forward, can you talk about how you expect these investments to evolve and your general philosophy around organic EBITDA margin performance, if you're targeting expansion over the near to intermediate term?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. So George, let me take a crack at that. I think that there are a couple dynamics that we think about from organic margin performance. The first is, starting with -- at the highest scale level, are the growth of our business, where we expect revenue growth to exceed expense growth, and that drives an overall expansion of that organic margin. Offsetting that in the near term are investments that we make in new initiatives that are going to be -- at the outset, going to be lower margins, but we believe that those margins will ramp up quickly and be additive overall to the business. And so that has a near-term impact. And then as you've described, the impact of acquisitions that may have a lower margin initially -- and some of them may have a lower margin permanently, which may be dilutive to the impact, but each of them, we expect in the businesses that we look at, have a high degree of operating leverage. And we have an ability to improve their operating leverage over time, improving margins for the business as a whole. But recognizing that we have businesses with exceptional margins, what we focus on, in addition to overall driving margin growth for the business as a whole and in aggregate, and consistent with our long-term targets of growing EBITDA faster than revenue, we also look at our returns on capital for those investments in new businesses. So core growth in the business is the fundamental driver. We are making investments near term that will diminish near-term margin, that's function of the investment, but hopefully expand our growth and improve margins over time. And then the impact of acquisitions, some of which we think have higher margin, all of them we expect to have higher margin over time, but they may -- as a function of their impact in the business, may be lower margin but represent higher growth opportunities and higher return opportunities. So hopefully, that gives you kind of the perspective on the dynamics for that margin.

Keen Fai Tong ***Goldman Sachs Group Inc., Research Division - Research Analyst***

Got it. That's helpful. And then turning to your Insurance business. If you look at the organic constant currency growth rates, normalizing for weather from last year, it did still step down from second quarter growth rates. Can you talk any unusual drivers in the quarter that might have contributed to a normalized deceleration in Insurance constant currency organic growth and maybe the momentum of the business over the course of the quarter and exiting the quarter?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So maybe I'll try to take that. This is Mark. I think if you were to actually look back on 2017, I think the answer really lies there. We had probably a little bit of a slower start to the year 2017, and we had kind of a growing -- a stronger growth at the second half. So I think we've referenced that this may be a little tougher comp in the third and fourth quarter just because of the nice pickup we had, some of it catch-up with first half of '17. What I just like to emphasize, and I think Lee did a nice job of it, is year-to-date, we have had a very strong year from Insurance. We feel good about the direction of the business. We feel great about the relationship and the level of engagement we have with customers, and I do believe that the number of and breadth of new solutions we have provides an exciting year forward. So I hope that emphasizes and answers your question.

Operator

I will now turn the conference back over to management for any closing remarks.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Okay. Well, thanks, everybody, for joining us today. I appreciate your interest, and we look forward to seeing many -- hopefully, all of you, at Investor Day in just a few weeks. And between now and then, I'm sure we'll be in touch with a lot of you just for your follow-up questions. Thanks for your continuing interest. See you soon.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you all for joining, and you may now disconnect.

THOMSON REUTERS

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PRESENTATION

Operator

Good day, and welcome to the Verisk Fourth Quarter 2018 Earnings Results Conference Call. This call is being recorded. At this time, for opening remarks and introductions, I would like to turn the call over to Verisk's Head of Investor Relations, Stacey Brodbar. Ms. Brodbar, please go ahead.

Stacey Jill Brodbar ***Verisk Analytics, Inc. - Head of IR***

Thank you, Grace, and good morning, everyone. We appreciate you joining us for a discussion of our fourth quarter and full year 2018 financial results. With me on the call this morning are Scott Stephenson, Chairman, President and Chief Executive Officer; Mark Anquillare, Chief Operating Officer; and Lee Shavel, Chief Financial Officer.

Following comments by Scott, Mark and Lee, highlighting some key points about our financial performance, we will open up the call for your questions. The earnings release referenced on this call as well as the associated 10-K can be found in the Investors section of our website, verisk.com. The earnings release has also been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

Finally, as set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance. Actual performance could differ materially from what is suggested by our comments today. That information about the factors that could affect future performance is contained in our recent SEC filings.

Now I'll turn the call over to Scott.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Thank you, Stacey, and good morning, everyone. Apologies for my voice today.

As we turn the page on 2018, I want to give you my bottom line view of the year just passed. We did well and see opportunity to improve. The single most important reflection of our vitality is our rate of organic revenue growth. And normalizing for the effects of exceptional storm-related revenues and the significant contract signing and financial services in 2017, our organic constant-currency revenue growth was 7.2% ahead of our long-term financial target of 7%.

Moreover, our growth was broadly-based across our Insurance vertical along with Wood Mackenzie in the Energy space and our core consortium data analytics in the Financial Services vertical. The heart of our position in the 3 verticals is sound and forms the basis for cross-selling these solutions in the future.

Looking more deeply into the organic revenue outcomes across the company, I see 8 contributing factors: number one, very high rates of customer retention; two, growth in the number of products consumed by existing customers; three, the introduction and adoption of new innovative solutions; four, positive pricing due to enhanced value in many solutions; five, in those places where we have head-to-head competition, share gains in most categories, including CAD modeling, remote imagery and underwriting decision support; six, effective progress in nondomestic markets, especially the U.K.; seven, a high rate of capture of business with new entrants in the Insurance vertical, including the InsurTech companies; and eight, our position as a partner to our customers who continue to entrust Verisk with their data, enabling us to build new solutions in new categories.

For example, in Insurance, we are working with our customers to repurpose some contributory policy data already used in our underwriting business to develop innovative claim solutions. One such solution will enable carriers to automate the subrogation process quickly and seamlessly. In Energy and Specialized Markets, Wood Mackenzie is leveraging the consortium model, developed by our insurance colleagues, and bringing it to the energy sector where we believe it is in a nascent stage.

We are currently finalizing an agreement to create an energy data consortium in one of the key U.S. tight oil plays. And in Financial Services, we are working with our card issuer partners in Mexico to launch a fraud consortium to help combat the transaction-based fraud plaguing their system.

An important underlying foundation to our growth is the agility of our technical infrastructure, which permits us to bring new solutions to market faster and with greater analytic content. On this front, I was pleased with the following in 2018. Our analytics community has grown substantially through our own program of cultivating data scientists along with industry hiring, and all of this supported by the naming of a new Chief Analytics Officer.

We saw a doubling of our consumption of public cloud capacity in 2018. We have made progress in advancing our data methods to support widespread tokenization, which contributes to our internal security and presents opportunities to access new datasets from equally security-minded data sources.

On the innovation front, we introduced a wide variety of unique and customer-driven solutions across our verticals. In Insurance, we launched programs to address new risk exposure, including cyber and flood. We also successfully introduced a variety of disruptive and award-winning innovations to the market, which Mark will talk to you about in more detail.

In the Energy and Specialized Markets segment, we launched Lens, a cloud-based data and analytics platform, which allows customers to access, analyze and model data in every major commodity in every market. And in our Financial Services sector, we delivered next-generation merchant analytics to retailers.

As a complement to our innovation agenda, we are very focused on driving operational efficiency. As we shared with you in detail at our Investor Day in December, we worked diligently to advance our operational excellence initiative through Lean Six Sigma. With 3,100 employees trained and 85 active projects underway, and more soon to be launched, Verisk is driving a culture of continuous improvement by measurably improving processes and meeting the critical customer needs of quality and speed.

Another leading indicator for me comes from the many conversations I have with the CEOs of our leading customers. Are they thinking of Verisk as a partner or as a vendor? A consistent message across 2018 is that we are engaging our customers around some of their highest priority initiatives for the future and they see Verisk as a distinctive and trusted partner in doing so. The result of many of my CEO visits is a request that their teams be placed in closer proximity to our innovation pipeline.

Our last comment about the year just passed regards the planning cycle we went through at the end of the year. I have never seen a higher volume of fresh ideas for new solutions and approaches for engaging our customers. We have a wonderful problem of needing to choose among a wide variety of opportunities.

Finally, I'm pleased to announce, as you've seen, that our Board of Directors has approved the initiation of a cash dividend to shareholders. This represents an important milestone in what is the 10th year of our history as a public company and demonstrates the confidence we have in our ability to drive sustainable, profitable growth, generate significant free cash flow and create long-term shareholder value through careful capital management.

I'll now turn the call over to Mark to comment specifically on our Insurance business.

Mark V. Anquillare *Verisk Analytics, Inc. - Executive VP & COO*

Thank you, Scott. I'm pleased to share with you that 2018 was a strong year in our Insurance businesses, one marked by solid growth across most of our lines of business, fueled by leading innovation and enhanced customer engagement.

Excluding the impact of approximately $16 million of storm-related revenue in 2017, Insurance revenue on an organic constant-currency basis grew 8.3% in 2018. Our customer retention rates remain very high, and the overall portfolio of new and truly innovative solutions is more robust than ever.

As Scott mentioned earlier, we have received numerous Innovation of the Year awards for our creative solutions, including, one, LightSpeed Auto, our innovative, data-forward workflow solution that delivers a faster and more efficient experience for underwriting and buying insurance. A fully bindable online auto quote is delivered after providing only 3 pieces of key data. We've extended the LightSpeed technology and platform to address the property and small commercial insurance segments. Several customers have signed contracts and our pipeline of interest for LightSpeed is growing.

Two, Verisk Data Exchange, our IoT data consortium that collects connected car data from our GM, Honda and Hyundai partnerships on more than 4.7 million vehicles, covering more than 80 billion miles. Insurance applications range from driving behavioral scores for underwriting to instant notice-of-loss solutions for claims.

And three, EPIX, our energy and power intelligence exchange, our Insurance platform that helps energy insurance professionals research, assess and underwrite complex risks. This solution addresses a critical profitable growth need by combining Verisk's risk scoring and benchmarking insurance expertise with WoodMac's unique energy data.

A steady stream of first-to-market innovation is one of the 4 distinctives of Verisk, and it's also a key driver of our growth. It is also an important force of change within the insurance industry. On that front, InsurTech is gathering lots of mind share and meaningful capital investment, which we think creates future growth opportunities for Verisk.

In my view, InsurTech has grown in 2 distinct areas. One, startup insurers and managing general agents, or MGAs, who are underwriting and distributing insurance. This type of InsurTech startups are likely to need data analytics to effectively price and sell insurance in the competitive market. We believe these startups have the potential to become Verisk customers. And in fact, in 2018, we engaged with 67 of these startups on 182 opportunities and had 79 product wins.

Second, other InsurTech startups include service providers who are trying to improve the insurance process. These startups may be competitors of ours, but many recognize the value of our services and continue to solicit our data analytics, distribution channel or even possible investment.

The threat from InsurTech players has ignited investment by more traditional insurers who are focused on analytics, digital engagement and automation to compete with InsurTechs and to deliver a better customer experience for their policyholders.

This momentum and insurer investment have led to increased opportunities for us. A common description of InsurTech is the use of technology innovations designed to improve the insurance process by squeezing out savings and driving efficiency from the current insurance industry model. With this definition in mind, I view Verisk as the most comprehensive and trusted InsurTech provider.

As we've communicated to you over the years, international expansion is an important part of our long-term growth strategy, and in 2018, it was a solid contributor to growth. The United Kingdom provides a playbook for success in future international expansion. The global insurance market, specialty -- especially specialty lines, has hubs [around the] world, with London as a key gateway to global markets and an accelerating step on our journey to extend beyond the United States.

This vision is becoming a reality in the U.K. Our strategy is to provide a comprehensive suite of solutions across the entire insurance value chain, driving data and automation from broker to underwriter to reinsurer, and from quote to claim settlement.

During the quarter, we acquired Rulebook, an industry-leading provider of business intelligence and software solutions for the London insurance market. Rulebook, in combination with Sequel, furthers our goal of providing leading solutions to the global insurance market, including a comprehensive chain of solutions to specialty insurers for mitigating risk and optimizing total cost of operations. Our customers are recognizing the advantages of these integrated solutions, resulting in new contracts and increased sales opportunities.

With a successful 2018 behind us, we're focused on 2019 and are actively meeting with employees and customers. To kick-start each year, we hold a series of town hall meetings at our major offices to share Verisk Insurance Solutions' strategic direction.

We also held our annual insurance sales meeting in Nashville earlier this month. The first evening of the sales meeting was an awards ceremony and a celebration of a strong 2018. The meeting then serves as a forum for leadership to communicate our goals for 2019 and then for the sales teams to learn about our new innovative solutions. Our 200-person sales team experienced demos from our product experts and we're briefed in our innovation lab under us cutting-edge AI and automation technologies.

Several customers joined us and emphasized the importance of our products and thought leadership to their businesses as well as suggested enhancements to our solutions. The teams left our town hall and sales meetings with a sense of accomplishment, energy and momentum from 2018 and motivated for 2019.

With that, let me turn the call over to Lee to cover our financial results.

Lee M. Shavel *Verisk Analytics, Inc. - Executive VP & CFO*

Thanks, Mark. First, I'd like to bring to everyone's attention that we've posted a quarterly earnings presentation that's available on our website. The presentation provides background, data trends and analysis to support our conversation today.

Moving to the financial results for the quarter. On a consolidated and GAAP basis, revenue grew 7.7% to $614 million. As a result of an income tax benefit of $89 million recorded in the fourth quarter of 2017 related to tax reform, net income decreased 28.5% to $146 million for the quarter. Diluted GAAP earnings per share were $0.87 for the fourth quarter 2018, a decrease of 28.7% compared with the same period in 2017. Equalizing the fourth quarter 2017 effective tax rate to that of the fourth quarter of 2018, adjusted net income and diluted adjusted EPS would have increased 5.6% and 6.1%, respectively.

Let's focus our quarterly discussion on our normalized organic constant-currency results for all year-over-year growth rates and to eliminate the impact of currency fluctuations, recent acquisitions for which we don't have full year-over-year comparisons, and nonrecurring items, including the impact of the storm-related revenues recorded in the fourth quarter of 2017.

On a normalized organic constant-currency basis, Verisk delivered revenue growth of 6.9% and adjusted EBITDA growth of 7.3% in the fourth quarter of 2018, reflecting strong organic growth across the Insurance and Energy and Specialized Markets segments, offset by weakness in Financial Services.

Adjusted EBITDA margin for the quarter of 47.8% was up from 47.6% on a normalized basis in the prior year period. Please bear in mind that our reported fourth quarter 2017 margin, not adjusted for the storms, includes the benefit of 100% margin on the $8 million in storm-related revenue.

For the full year of 2018, normalized for both storm-related and nonrecurring implementation revenues, we achieved 7.2% organic constant-currency revenue growth and 7.7% organic constant-currency adjusted EBITDA growth. Adjusted EBITDA margin was 48.5% in 2018, up from 48.3% in 2017. We achieved these results while also maintaining substantial investment in our business and sustaining ongoing recovery in our Energy and Specialized Markets and Financial Services sectors.

Let's now turn to our segment results on a normalized organic constant-currency basis. As you can see in the press release, Insurance segment revenue grew 8.5% and adjusted EBITDA increased 9.9%, reflecting an adjusted EBITDA margin of 53.5%, up from 52.8% in the prior year and inclusive of substantial investments in remote imagery and telematics.

Within our Underwriting & rating business, we saw solid performance with healthy growth in commercial lines, personal lines and catastrophe modeling services. Within claims, the strong growth was driven by solid performance across most of our claims businesses, partially offset by continued softness in our workers' compensation claim resolution services.

Energy and Specialized Markets delivered revenue growth of 5.1% for the quarter as the energy industry continues to recover. We experienced growth in both our core research and consulting solutions as well as strong contribution from our breakout areas, including power and renewables, chemicals and subsurface. We also had positive contributions from environmental health and safety, and weather and climate analytics revenues.

Adjusted EBITDA increased 4.6%. Adjusted EBITDA margin of 31.3% was slightly down from the prior year period of 31.4% as we continue to invest in WoodMac 2.0, or Lens as it is branded in the market place, and our chemicals, subsurface and power and renewables breakouts. These areas represent opportunities to leverage Wood Mackenzie's data and industry expertise more broadly and to deliver and develop more swiftly and efficiently.

Financial Services revenue declined 2.2% in the quarter and adjusted EBITDA decreased by 12.8%. Solid growth in portfolio management solutions and spend-informed analytics were offset by headwinds from tough comparisons with prior year implementation revenues as well as some timing differences.

As we articulated previously, we continue to make progress on our initiative to reduce the variability of revenues in this segment, particularly around project-based items. As we work through this process, we will continue to see quarterly fluctuations on revenue and growth higher than our other businesses. That said, we are encouraged by the long-term growth potential in our Financial Services segment as we set the business on a stronger foundation for future growth.

Reported interest expense was $33 million in the quarter, up 1.6% from the prior year quarter due to the funding of acquisitions over the last 12 months and our share repurchase program. Total reported debt was $2.7 billion at December 31, 2018, down from $3 billion at December 31, 2017. Our leverage at the end of the quarter was 2.3x.

We are very pleased to share that on January 30, Standard & Poor's upgraded Verisk's credit rating to BBB flat with a stable outlook from BBB- with a stable outlook and assigned a short-term rating of A2.

Our reported effective tax rate was 18.6% for the quarter. This compares to the negative 14.1% we experienced in the prior year quarter as we recorded a benefit resulting from the revaluation of our net deferred tax liabilities in connection with tax reform.

For the full year, our effective tax rate was 16.8%, which was lower than our targeted range due to significant exercises of soon-to-expire employee stock options related to our 2009 IPO that produced a favorable tax impact.

For 2019, we expect our tax rate to be between 19% and 21%. Though there will be likely some quarterly variability related to the impact of employee stock option exercises, which depends in part on the Verisk stock price and employee personnel decisions.

Adjusted net income was $174 million and diluted adjusted EPS was $1.04 for the fourth quarter, down 21.8% from the prior year. This decrease reflects the impact of a prior year $89 million tax benefit related to the 2017 tax reform.

Equalizing the fourth quarter 2017 effective tax rate to that of the fourth quarter of 2018, adjusted net income and diluted adjusted EPS would have increased 5.6% and 6.1%, respectively. Further normalizing for the elevated storm revenue in the quarter, adjusted net income and diluted adjusted EPS would have increased to 10% and 10.6%, respectively, consistent with our long-term objective for double-digit EPS growth.

Net cash provided by operating activities was $173 million for the quarter, up 14.5% from the prior year period. Capital expenditures were $77 million for the quarter, up 9.8% from the prior year period, reflecting continued investments in future growth opportunities including remote imagery, telematics and Lens, and software development to support and improve new and existing products across the organization.

Total capital expenditures for 2018 were $231 million and represented 9.6% of total revenue. As we have said previously, we expect capital expenditures to decline as a percentage of revenues in 2018 -- I'm sorry, 2019 and over the long term, and to be within a range of $220 million to $240 million in 2019.

As that translates to depreciation and amortization, we expect fixed asset depreciation and amortization to be within a range of $175 million to $185 million in comparison to the $165 million for 2018. And we expect intangible amortization to be approximately $135 million in 2019 in comparison to $131 million in 2018. Both depreciation and amortization elements are subject to FX variability and future M&A activity.

Free cash flow was $97 million for the quarter, an increase of 18.6% from the prior year period.

This quarter, we returned $156 million in capital to shareholders through the repurchase of approximately 1.3 million shares at a weighted average price of $119.55. At December 31, 2018, we had $428 million remaining under our share repurchase authorization. In addition, we initiated a new $75 million accelerated share repurchase to be executed in the first quarter of 2019.

Of course, the big news on the capital front was the initiation of a cash dividend of $0.25 per share this quarter. We are very pleased to reach this milestone in our 10th year as a public company and to deliver another source of value to our investors.

This dividend underscores the stability of our business, profitability and cash flow, as well as a diversification of our capital return discipline, balancing share repurchases and dividends. We further expect that the dividend will open new groups of potential shareholders to Verisk.

It's important to note that the dividend initiation does not reflect any diminution in our growth prospects or the opportunities to invest our capital. We will continue to have sufficient capital to support our long-term growth objectives, which remain unchanged.

We remain excited about the opportunities to invest in our business and remain focused on long-term profitable growth and solid returns on capital. We remain confident that we have the financial strength and capital structure to support investment for the long term.

We continue to appreciate all the support and interest in Verisk. (Operator Instructions) With that, I'll ask the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Toni Kaplan of Morgan Stanley.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

Scott, you mentioned that you've been meeting with the CEOs of your customers. Could you just call out what seems, maybe, on their minds that might be different from last year? Or just give us a sense of the most important priorities that they're focused on.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. Thanks, Toni. Two things immediately come to mind. One is, I would say, almost every insurance company CEO believes and expects that they can find ways to make their company grow faster than their competitors, faster than the industry. I think that's really significant because it means that what they are leaning into is improved methodologies. They're not just trying to sort of hunker down and play a cost game, they are looking to grow their businesses and they realize that the world around them really has changed and continues to change because of technology. So I would say that that's really the first and the most important thing that's going on.

I would say the second thing that is also, pretty obviously, true. I would say, especially for the mid and larger companies, is they are really persuaded of the importance of accessing partnerships and supply from outside of their own companies. In other words, they realize that there are ways that their businesses can be benefited by tying in with others. And so I see a lot more partnering. I see a lot more venture investing as they try to get closer to technology. And I just see a lot more outreach to a company like ourselves that is recognized as being sort of distinctively able to help across multiple fronts. So these are very constructive meetings. They are partnership meetings.

Toni Michele Kaplan ***Morgan Stanley, Research Division - Senior Analyst***

Perfect. And then for my follow-up. I wanted to ask about margins. So in Insurance, I think we've seen investment impacting margins, same with first quarter in Energy last year. I guess, should we view 2019 as maybe a little bit -- a continuation of investing but maybe a little bit less so than '18? Or how should we directionally sort of think about it? And then outside of scale, are there any margin initiatives across the business, like efficiencies, that you're looking to drive this year?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure, thanks, Toni. This is Lee. So I think, it's -- I would start off by saying certainly all of our business, we think, have superb operational -- operating leverage. And so as you know, across organization, our expectation is that each of the businesses will demonstrate improvement in margin. I think it's a fair observation that, in 2018, there was a high level of investment in a variety of initiatives, Geomni, Lens, IoT and telematics, where we chose to make those investments and that those, obviously, had a negative impact on margin. But notwithstanding that, I want to reiterate, as I mentioned in my comments, that both for the fourth quarter and for the year as a whole, when you normalize for the storm activity, we had margin expansion on the year-over-year periods. And so from our perspective, recognizing that, that storm revenue and the implementation revenue for TSYS was 100% margin. And so that certainly skewed that year-over-year comparison. We believe that we delivered margin expansion as well as substantial investment in the businesses for that period.

In 2019, we won't have that storm comparison and, as Scott indicated, we still see very attractive opportunities to invest. But I think it's fair to say that, probably in 2018, from a scale standpoint, particularly around Geomni, it was a higher level. Consistent with our CapEx guidance, that was an acceleration, we expect to see that absolute level of investment decline as a percentage of revenue. So we feel good about the opportunity to strive towards our goal of margin expansion.

Operator

Our second question comes from the line of Hamzah Mazari from Macquarie Capital.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Just on the Financial Services segment. Maybe you could just touch on how you plan to reduce variability of revenues in that vertical, and maybe just timing of that initiative.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. Hamzah, this is Lee. Thanks for that question. So the process is essentially in recognizing in project-related revenues. I think the tendency in the past had been to recognize more of that revenue upfront. I think as we have the flexibility in structuring those relationships as new business comes on, we are -- and this is not perspective, this is already occurring, we are structuring the relationship so that, that revenue is realized over time so that we don't have these large chunks of revenue that create that variability. So that is part of the objective. That's a structural initiative as we work with clients. But also, I think fundamentally, as we think about developing the growth of the business, our focus is on building a sustainable growth component off of the 4 constituent businesses that we've described before, so that it is more incremental growth across that base. I think both of those will contribute to a more stable, less-variable revenue and profitability over time.

Hamzah Mazari ***Macquarie Research - Senior Analyst***

Great. And just for my follow-up question. On the international business, what sort of next milestones should we be looking at in that business? I know you talked about products essentially needing to be more customized locally. So just any color on long-term international insurance strategy.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Yes, thank you. This is Mark. Just to kind of follow-up on the question. So I think what we've seen it's a bit of a build and buy scenario. So what we are now doing, which has become very powerful for the customers, is we've taken many of our solutions and we've started to integrate them in a more holistic way. So walking into a customer as opposed to buying all these point solutions, there's an attractiveness of knowing that your data is going to flow from the beginning of a process that starts at maybe a quote or an underwriting decision on through the process, so you can see it from a portfolio perspective in some of our catastrophe-modeling solutions. And all of that is information that's embodied in the solution that's Sequel.

The concept and construct here is I can do it more effectively, I can do it more efficiently, I can do it more accurately. And on top of that backbone, we've added some of, I'll refer to it, the ISO and some of the other analytics that has been so powerful here in the States. So that continues to evolve. I think we'll be able to do more and more with customers as we gain access to more data. And maybe just to take your question one step further, to maybe highlight that I think we see London as being kind of a gateway into the international community, especially with the specialty lines. So as we win these contracts, we're very doing work not just in the U.K., but with companies who are located in the U.K. but are underwriting business throughout the world. So our next step into other geographies is that much easier.

Operator

Our next question comes from the line of David Togut from Evercore ISI.

David Mark Togut ***Evercore ISI Institutional Equities, Research Division - Senior MD***

I'd like to ask about the Financial Services business, which was really weak for the second year in a row. I'm wondering if this business has the same distinctives that really characterize both your Insurance and your Energy and Specialized Markets businesses, especially since competition here seems to be increasing with a number of well-capitalized competitors like MasterCard offering more and more analytics to credit card issuers. So my question really is, does this business really still fit within Verisk, especially given the broader capital allocation framework that you've rolled out today, which seems to focus more on capital return?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

David, Scott here. Yes, the business does fit. The -- I think that many of the folks on the call today are familiar with what we call our 4 distinctives, which we talk about a lot, which, just to remind everybody are: unique data assets, deep domain expertise, first-mover advantage and deep embedment in customer workflows. And what we do in Financial Services has all 4 of those qualities. So as Lee previously talked about some of the things that have sort moved through the business of late, and we talked about the -- sort of the lumpy quality of the way that some of the revenues had been recognized in the past.

But what I would go back to is that the heart of the business is built on consortium data, which is absolutely unique. And unlike the data, which is available to anyone else, including the players you mentioned, on top of which then we have very deep relationships with our customers and, really, a large data platform which is really remarkable for a company of its size. So all of the conditions are there. And then I will also say, again, echoing what Lee said, the strength of portfolio analytics plus the spend analytics that we do are the leading parts of the business, and they're actually healthy. So we expect that as these other effects sort of wash through, you'll get sort of a more clear view of those things built upon the distinctives, which really will power the business going forward.

David Mark Togut ***Evercore ISI Institutional Equities, Research Division - Senior MD***

As a quick follow-up, I'd just like to ask about dividend policy. The math shows that the LTM payout ratio is about 28%. How do you think about the payout ratio that you're using to set the dividend? And do you expect the dividend to grow in line with earnings or faster than earnings growing going forward?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thanks, David. It's Lee, let me take that. So we -- in setting that level, we looked at the payout ratio, really, also what proportion of capital are we allocating to the dividend, and an eye on kind of yield and where yields are out there. We recognize that investors will expect and reward growth in the dividend over time, and we certainly believe that our ongoing earnings growth will provide a very strong consideration for these decisions by our board in the future. We also expect to weigh capital investment and return opportunities in the allocation decisions ahead. So all of those, I think, factor into it. But there clearly is a recognition that there'll be an expectation given our overall growth that the dividend should grow as well. And that's what we will balance looking ahead in advising the board on these decisions.

Operator

Our next question comes from the line of Manav Patnaik from Barclays.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Scott, I think at the beginning of the call, you talked about the repurposing of some of the insurance consortium data. And I was wondering if you could just expand on that, maybe taking a step back and letting us know how much of the data do you have access now to play around and innovate with, and if this is a new or ongoing opportunity.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes, so let me start, and Mark, you may want to amplify some of this. But when we think about data in the Insurance vertical, it's really a combination of looking for opportunities to tease additional meaning out of existing datasets and generating new datasets. So upfront, I mentioned, for example, subrogation. Subrogation is essentially bound up in the claims resolution process, and as I think most folks know, we have a lot of claims data. So finding a way to point that at the subrogation case and to think about affiliated things like clearing payment between counterparts is just interesting, and it's really a process that hasn't really been transformed yet in the insurance industry. So that would be an example of repurposing.

But, then there are other places where we're trying to generate original datasets. And one thing I would just comment on here is that, on the one hand, we're very alert to opportunities to position data to where it can be repurposed. On the other hand, we're very diligent about the reasons why our customers made the data available to us in the first place. And so we're always going to be striking a balance between what's possible and what our customer contributors would like to see us do, but there's plenty of room in there for innovation. And then there are a variety of new datasets where we're making original calls for data. And actually, even that takes a couple of forms. One is we have existing platforms like PCS, where we've started the call data related to cyber incidents and we didn't used to do that. So that's original data, but around an existing platform. We're always trying to enrich the data that comes into a platform like ClaimSearch and then we're trying to find that get new forms of claims data that we don't receive today, for example, commercial claims histories are not as developed as personal claims histories. Mark, anything you want to add to all that?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Yes, I think that was well said. I think it goes back to the earlier comments you made about partnerships and conversations with CEOs. In the world of data, obviously, our customers and many people feel their data is valuable. So we need to provide them with valuable use cases back to their businesses in order for them to let us use the data. So having the great partnerships and relationships is very important. We continue to be a trusted intermediary for that data and we feel that's a privileged position.

Manav Shiv Patnaik ***Barclays Bank PLC, Research Division - Director & Lead Research Analyst***

Got it. And just as a follow-up, Lee, just on the Energy and Specialized side, I think last year, you guys called out -- I think it was a bank and then a merger-related kind of headwind to the business. Have we lapped those comps? And does that mean, next year, the numbers should start looking better?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Thank you, Manav. The -- we will lap that in the first quarter of 2019. So we were still experiencing that headwind in the fourth quarter, but that will go away in the first quarter of 2019.

Operator

Our next question comes from the line of Andrew Steinerman from JPMorgan.

Andrew Charles Steinerman ***JP Morgan Chase & Co, Research Division - MD***

It's Andrew. I wanted to ask about WoodMac 2.0, Lens. What are some milestone and rollout that we should be looking for? And will WoodMac 2.0 help margins and revenues or just one of them? And particularly, make a comment for 2019.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So let me take it as a general level, Andrew, and maybe, Lee, if you want to add anything. It's constructive on both the revenue and the margin side because part of what Lens is getting after is the very nature of our data aggregation and it becomes more efficient on this platform that we built, but equally, there's more functionality there for customers, and so we think it'll be constructive in both ways. I don't -- I wouldn't point you so much to milestones or at least not those that will be called out in the overall performance of the business. What I'm trying -- and I'm not making a comment about the future profile of the financial performance of the business, I'm simply saying the revenue streams are all sort of -- think of it as a bowl of spaghetti and Lens works its way through things that we already do. In addition to representing modules -- new modules that we can license to customers. But as called out, specifics, basically, it'll be -- we do business with so many companies already, this will really enhance cross-selling into existing relationships. But in terms of visibility to the outside, I'm not -- I wouldn't call out any particular milestone. Just the general progress of the business, really. Lee, anything you want to add to that?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

No, I think Scott covered it. I would just make the comment that Lens really represents the platform that enables us to continue the evolution of a very good research and consulting business into increasingly a data analytics business that can serve a broader customer base, can develop and integrate data products more effectively, which is beneficial both from a revenue growth standpoint as well as from a margin perspective and I would just finally add that the team there continues to work on operational efficiencies to improve the margin as well.

Andrew Charles Steinerman ***JP Morgan Chase & Co, Research Division - MD***

But Lee, might there be a time, like maybe this year, where you're running 2 infrastructures for WoodMac and it might be a drag to margins?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Well, I mean, yes, but no. So you observe something, yes, but the implication I don't think is right. So yes, we need to be running things in parallel and we have been investing, as Lee has referenced several times, to build the platform. But the actual operation of the platform -- I mean, one of the things that so constructive inside of our business is that we enjoy the gift of Moore's Law every day. And so, actually, the cost of compiling data or even processing data inside of the platform that you have built, the incremental cost is not really all that great. I'm not saying that it's zero. So you're correct about what we will do operationally, but I think the implication you were trying to reach in terms of operating expense going forward is not so accurate.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. And I would go, more broadly, I think that point has some relevance with regard to our transition to cloud where we are making investments and see opportunities to find greater efficiencies, where we still have a legacy costs. I think that is -- would be a valid observation, not so much in this context. So thank you for the question.

Operator

Our next question comes from the line of Tim McHugh from William Blair & Company.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

First, I wanted to ask on the Energy side of the business. In the prepared remarks, you talked about being close to signing a consortium deal. Can you talk more about that and the nature of the data, I guess, and the product, I guess, that would flow out of it?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So those of you who have followed us know that the majority, in fact, a large majority, of the data that we've had up until today has been mostly about the commercial dimensions of the oil and gas business. So observations about productivity and the cost factors associated with the assets that produce either the raw materials or the refined materials. So those are the datasets that have typically, traditionally, been a part of what we do. The datasets we're adding are what we call the subsurface datasets, and these are the ones that take into account the actual real-time operations, even in the oilfield, in combination with the nature of the rock and the nature of the fluids and the nature of the fields, so that we can complement everything we've already done -- always done with basically much more real-time optimization of the operations of our customers' assets. And this is something that we haven't done as much of, in fact, very little of, up until now. So the datasets relate to that, real-time operational optimization.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Did you say it was for a specific region or subsector of companies you would start with?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Well, the -- so whenever we talk about a consortium dataset, you're always talking about specific customers and, generally, specific product sets or specific places. So that does apply in what we're doing in building these new datasets, these subsurface datasets. And our focus right now, predominantly, is the Lower 48 in the United States, where the need -- the situation in the United States is different than the situation in most other parts of the world. Because in the United States, what the operators are doing is basically saying, "That particular rig, should I move it 2,000 feet? And I can move it and 4 days later, have a 1,000-foot well that's producing." And so that's the speed with which "Strategy" is being set and operations are being rebalanced in the United States.

Timothy John McHugh ***William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst***

Okay. Great. And then can I just -- on the Insurance side, the aerial imagery product set, can you -- I think you mentioned this, one of the growth drivers, I guess. But can you give us a more color on adoption, kind of competition for that product at this point? How it's scaling maybe relative to what the initial plan was 18 months ago or 12 months ago when you kind of made a more aggressive push into the space.

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

Sure. So this is Mark. I think your question is directed at Insurance, and at the same time, let me maybe extend a little beyond that. So first of all, we've been very pleased with the takeaway we've had in the market. Our market share is growing. We've won significant customers, and many of them, that has clearly contributed to some of the organic growth that we've talked about here. Beyond what is -- I'll refer to it as kind of market share, we've also continued to add products. So remember, in the world of what I view as a complete automated solution, if I was to take and use imagery in combination with some of the scoping and what we refer to as Image-to-Scope, which is the Xactimate tool behind or in front of all this imagery, we can really automate and become more accurate and more cost-effective for those claims adjusters. Literally, we think we can double the productivity of the claims adjuster field forces at our customers, saving them hundreds of millions of dollars. So we're seeing that. What I also like to highlight though is that growth is extending beyond what is traditional insurance. If you think about the world of contractors, if you think about the world of -- I'll refer to it as mapping and construction as well as roofing companies, all of those found use cases in some slimmed-down or innovative way we view some of the technology. So that is contributing to the growth across the board, even outside of insurance.

Operator

Our next question comes from the line of Bill Warmington from Wells Fargo.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

So you mentioned the U.K. and model and a gateway for international expansion. So culturally, there's a lot of similarities between the U.S. and the U.K., I guess Winston Churchill would call them 2 nations divided by a common language. But as you go -- as you look to prioritize your other geographies for international expansion, what are the ones where you're going to be focusing first?

Mark V. Anquillare ***Verisk Analytics, Inc. - Executive VP & COO***

So Bill, I'm going to assume that is a continuation of the conversation we had on Insurance. We think there's a lot more to do in the U.K. So we'll continue to push there. I think what we have identified is, looking at like markets, looking at places that have a more mature insurance marketplace and a gross premium and a growing gross premium, we have really identified Europe, but more specifically Germany and France is kind of the next couple of places that are of interest. Down the road, I think everyone thinks about kind of emerging markets and emerging insurance markets like China, India. We aren't turning our back on that, we're keeping an eye on it. But we kind of think, to your point, trying to stay close to the markets that are a little more mature in Europe is probably the best next step for us.

William Arthur Warmington ***Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Analyst***

Got it. And then for my follow-up, your thoughts on FX impact to revenue in 2019?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So Bill, I know -- the reason that we try to focus on organic constant-currency numbers is that we can't predict what's going to happen from an FX standpoint. So we're focusing on results, excluding the FX range. I do think, generally, given the very strong U.S. orientation of our business generally, the fact that WoodMac has a mix of U.S. and international revenues, we think, overall, the exposure is relatively low. So I'd say proportionately, we don't think it'll have a big impact. But our focus is always to try to eliminate that factor, which we can't completely control.

Operator

We have our next question from Jeff Meuler from Baird.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

As you productize the subsurface consortium data as you were just kind of explaining, are you inventing new categories of solutions to sell to customers? I don't mean new relative to Verisk, I mean new relative to the market. Or said another way, do you have to displace solutions from the leading incumbents that have subsurface data already? Or are these, I guess, greenfield opportunities?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

It's a combination of the 2, and it really hinges upon how much analytic content we get into what we do. So there are players today that will provide observations about a number of this sort of individual parameters that apply when you're trying to understand the productivity of real-time operations. So from one place, you can get data as it relates to, for example, the completion strategies that have been taken for the individual well. There are other sources where you can make sure that you have completely identified the leasing -- the lease holding and ownership structure of whatever patch of land you're talking about. And then other places, you can go for the heavy seismology work, and on and on and on like that.

So part of what we will do is to increasingly make those types of -- those kinds of data available to our customers. But then over and above that, what doesn't exist so much in the marketplace today is the -- is really the AI, machine-learned expression of all of that data in quantity across heterogeneous situations. So that in an automated fashion, you can really make predictions and drive decisioning. And there, we expect, because we're Verisk, we will be distinguished. How much those kinds of solutions generate completely original revenue streams versus how much they displace, for example, some of these bespoke datasets, I would say that remains to be seen. The primary point here is there is the opportunity for differentiation.

Jeffrey P. Meuler ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

That's helpful. And then on the Insurance business, there's been underlying acceleration and there's a couple of years where maybe it was growing below trend a few years ago, and you called out some various moment-in-time factors at that point. But I guess, Scott, as you list out the 8 factors that are driving it, they sound largely sustainable. So just -- how are you thinking about Insurance growth at this point? Like, has bookings growth also accelerated? Is bookings growth outpacing revenue growth?

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Yes. So yes, you definitely understood what I was saying upfront. All 8 of those trends apply broadly across our company, but specifically in the Insurance vertical. I mean, if you just step back and you say, okay, this environment, this insurance environment, what characterizes it? The customer set is relatively stable. There are occasionally some large merger transactions and there are some segments, like global reinsurance brokers, where there's been some of that. But by and large, the customer demography is steady. Regulation really doesn't change that much. Energy -- or excuse me, technology is a constructive factor as it relates to a company like us because back to the top, every -- virtually every one of our customers believes they can grow faster than their competitors and so everybody is trying to behave innovatively. And so that's just inherently constructive for folks like us. And then if you think about all of the many references that we've made this morning, there are just new things that we're doing and bringing to the market that don't exist. And so it's a constructive environment. I mean, the United States property and casualty insurance industry, our home market, is the granddaddy of large-scale contributory data analytics. I mean, it was invented that way practically. And so we really have this wonderful privilege of being who we are inside of that very constructive environment.

Operator

Our next question comes from the line of George Tong of Goldman Sachs.

Keen Fai Tong ***Goldman Sachs Group Inc., Research Division - Research Analyst***

I'd like to drill deeper into the Financial Services business. You touched on plans to reduce the variability of revenues through the restructuring of contracts. Can you elaborate on the initiatives you have to improve the overall growth of the segment? Because in the quarter, even after normalizing for the year ago implementation revenues associated with thesis, organic growth would've been pretty muted. Any color there would be helpful.

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. So George, this is Lee, and I'm going to a refer back to the kind of description and the organization that Lisa gave at Investor Day. And so I think it's helpful if you think about it in the 4 components. The foundation of this business is the benchmarking solutions business. And as we indicated, the growth in that part of the business remains very stable. In addition, the spend informed analytics component remains solid. The 2 areas where, in the fourth quarter, and I think represent our opportunity to make progress, is in the enterprise data management component. And that really is an emerging space. It is one where we are finding opportunities to develop new data management solutions for our customers given our scale, given our expertise. And that's something that we certainly think, based upon feedback from clients, is very positive. But that is something that we'll develop over time. We are encouraged by the initial responses. And the other element is the fraud component. And that's an area similarly where we feel very good about the contributions from our acquisition of the LCI and G2. We're in the process of developing some of the infrastructure, some of the product sets around that. And we think that, over time, that area will also be a stronger contributor to the growth overall. So that would the way I would kind of organize thinking around where we see or where we have immediate focus on improving the growth rate for that business.

Keen Fai Tong ***Goldman Sachs Group Inc., Research Division - Research Analyst***

Very helpful. As a follow-up, I'd like to switch over to the Energy business. You saw an incremental step-down in organic constant-currency growth there. Can you talk about trends in your nonrecurring revenue streams in Energy and how annualized contract value growth is progressing in light of some of the declines we've seen in oil prices?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Sure. So I think in that, that's principally the consulting component business that was -- it was still growing and growing at a higher rate than our subscription business. But the third quarter was particularly strong and so, I think, that contributed at one level to a slight -- and I would just view it as kind of a slight slowdown relative to the third quarter level. But overall, I think we see progress in the -- continued progress in the subscription component of the business, particularly as it relates to the new breakout initiatives that are generating strong subscription growth within that segment.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

I would just add that the recent movement in the commodity is within a range that we don't consider material to the performance of our business.

Operator

Our last question comes from the line of Jeff Silber from BMO Capital Markets.

Jeffrey Marc Silber ***BMO Capital Markets Equity Research - MD & Senior Equity Analyst***

I'll be quick. Just a couple of quick numbers questions. Lee, what should we be modeling for interest expense this year? And also the tax rate guidance that you gave us for a 2019, is that something we should use longer term?

Lee M. Shavel ***Verisk Analytics, Inc. - Executive VP & CFO***

Yes. So on tax, I think based upon what we see right now, obviously, any changes in the -- in tax legislation, I think that 19% to 21% range is a good basis. On interest expense, it is not something that we give formal guidance. We -- obviously, that's going to flux based upon what happens in the business and our capital allocation decisions. So I think kind of starting with the point of just stability in overall debt levels and looking at the average rates is probably a middle of the way road to go. But I wouldn't give you any specific guidance beyond that because that will adjust based upon our capital allocation decisions over time. I would expect that we remain within this leverage range absent any other material changes.

Scott G. Stephenson ***Verisk Analytics, Inc. - Chairman, President & CEO***

Okay. Well, thank you all very much for your continued interest in Verisk, and we look forward to following up with a number of you as well as those who are taking a new look at Verisk based upon our new capital policy, including the dividend.

So look forward to our continuing conversations with you. Thanks. Thanks for this morning, and your attention.