QUOTESMITH COM INC
Form PREM14A
March 23, 2004

QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Quotesmith.com, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $0.003 per share, of Quotesmith.com, Inc.

(2) Aggregate number of securities to which transaction applies:
2,363,636

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
$5.30, which is the average of the bid and asked prices of Quotesmith.com, Inc. common stock on March 2, 2004, as reported on the Nasdaq SmallCap Market

(4) Proposed maximum aggregate value of transaction:
$13,000,000

(5) Total fee paid:
$1,647

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Insure.com

Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561

Dear Stockholders of Quotesmith.com, Inc.:

We are proposing to acquire substantially all of the assets of Life Quotes, Inc., or Life Quotes, a domestic insurance agency operating in all 50 states, together with certain real estate owned by an affiliate of the sole stockholder of Life Quotes. We intend to fund this acquisition through the issuance of 2,363,636 shares of our common stock to Zions Bancorporation, or Zions, resulting in $13,000,000 in gross proceeds. The proceeds of this stock issuance, together with cash on hand and/or borrowings under a loan agreement we may enter into, will be used to acquire the assets Life Quotes and the related real estate. Following the acquisition, the assets of Life Quotes and the related real estate will be owned by a wholly-owned subsidiary of Quotesmith.com.

We entered into a stock purchase agreement with Zions on March 1, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for $13,000,000 in proceeds. The common stock to be issued to Zions will not be registered, and will be restricted following the stock issuance. In connection with the issuance of stock to Zions, we have entered into an investor rights agreement with Zions whereby we have agreed, among other things, to increase the size of our Board of Directors by one member and to appoint an individual designated by Zions to fill the newly created vacancy.

We have also entered into an asset purchase agreement with Life Quotes and a real property purchase agreement with an affiliate of the sole stockholder of Life Quotes dated as of January 31, 2004 (signed March 1, 2004). Under the terms of the asset purchase agreement, we have agreed to acquire substantially all of the assets of Life Quotes, and assume certain specified liabilities, for a payment of $13,395,000, subject to adjustment. Under the terms of the real property purchase agreement, we have agreed to acquire the real property currently used by Life Quotes for a payment of $5,000,000, subject to customary prorations at closing. We will use the proceeds of the stock issuance to Zions, together with cash on hand and/or borrowings under a loan agreement we may enter into, to consummate these acquisitions.

In connection with the acquisition of the assets of Life Quotes, we have agreed to establish the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us.

The enclosed proxy statement also contains annual meeting proposals for the election of a director and the ratification of Ernst & Young LLP as our independent auditors for 2004.

Our common stock is listed on the Nasdaq SmallCap Market under the ticker symbol "QUOT." In compliance with Nasdaq rules, we will seek stockholder approval of (i) the issuance of our common stock to Zions in connection with the acquisition of substantially all of the assets of Life Quotes and the related real estate and (ii) the establishment of the Life Quotes employee stock option plan at our annual meeting of stockholders on April 22, 2004 to be held at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, at 9:00 a.m., Chicago time. At our annual meeting of stockholders we will also conduct an election for one director to serve until the 2007 annual meeting and seek ratification of the appointment of Ernst & Young LLP as our independent auditors for 2004.

Our Board of Directors has unanimously approved (i) the acquisition of substantially all of the assets of Life Quotes and the related real estate and the issuance of shares of our common stock to Zions and recommends that you vote in favor of the issuance of our shares of common stock to Zions in connection with the acquisitions and (ii) the establishment of the Life Quotes employee stock option plan and recommends that you vote in favor of establishing the Life Quotes employee stock option plan. In addition, our Board of Directors recommends that you vote in favor of the nominee for election to the Board of Directors and in favor of ratifying Ernst & Young LLP as our independent auditors for 2004.

You are not entitled to dissenter's or appraisal rights in connection with the acquisition of substantially all of the assets of Life Quotes and the related real estate or the issuance of our common stock to Zions.

The holders of more than 60% of our common stock outstanding prior to the acquisition and stock issuance have agreed to vote in favor of the proposals. Following the stock issuance, Zions will own approximately 30% of our outstanding common stock, and approximately 29% of our common stock on a fully-diluted basis.

We urge you to consider carefully all of the information provided in this proxy statement and its attachments, including a copy of Mystic Capital fairness opinion attached as **Annex A-1**, the asset purchase agreement attached as **Annex A-2**, the stock purchase agreement attached as **Annex A-3**, the real property purchase agreement attached as **Annex A-4**, the investor rights agreement attached as **Annex A-5** and the Life Quotes employee stock option plan attached as **Annex A-6**. In particular, you should consider carefully the "Risk Factors" beginning on page 17 of this proxy statement.

Your vote is important, regardless of the number of shares you own. If you are stockholder of record, you may vote by mailing the enclosed proxy card in the envelope provided or by attending the annual meeting in person. To approve the proposals submitted to you, vote "FOR" the proposals by following the instructions in the proxy statement and on the enclosed proxy card. If your shares are held in "street name" (that is, held for your account by a broker or other nominee), you will receive instructions from the holder of record that you must follow for your shares to be voted.

Sincerely,

Robert S. Bland
Chairman of the Board, President and
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of this transaction or the securities to be issued or passed upon the adequacy or accuracy of this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated **[ ]**, 2004 and is first being mailed to Quotesmith.com stockholders on or about **[ ]**, 2004.

Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 22, 2004

The 2004 Annual Meeting of Stockholders of Quotesmith.com, Inc., a Delaware corporation (the "Company"), will be held at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, on April 22, 2004 at 9:00 a.m., Chicago time, for the following purposes:

1. To approve the issuance of 2,363,636 shares of our common stock to Zions Bancorporation, or Zions, for $13,000,000 pursuant to the stock purchase agreement entered into on March 1, 2004, by and between Quotesmith.com and Zions and the related investor rights agreement entered into on March 1, 2004, by and between Quotesmith.com and Zions. The proceeds of the stock issuance, together with cash on hand and/or borrowings under a loan agreement we may enter into, will be used to acquire substantially all of the assets Life Quotes, Inc., or Life Quotes, and certain real estate owned by an affiliate of the sole stockholder of Life Quotes as contemplated by the asset purchase agreement entered into on March 1, 2004 by and among Quotesmith.com, Life Quotes Acquisition, Inc., Kenneth L. Manley and Life Quotes and the real property purchase and sale agreement entered into on March 1, 2004 by and among Life Quotes Acquisition, Inc. and The Kenneth L. Manley Revocable Trust dated as of June 10, 1987. Following the acquisitions, the assets of Life Quotes and the related real estate will be owned and operated by Life Quotes Acquisition, Inc., our wholly-owned subsidiary;

2. To approve the establishment of the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us;

3. To elect one person to our Board of Directors to serve until the 2007 Annual Meeting of Stockholders;

4. To ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2004; and

5. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

The accompanying proxy statement describes the acquisition and the stock issuance in more detail. We encourage you to read the entire document and each of its attachments carefully.

Our Board of Directors has unanimously approved (i) the acquisition of substantially all of the assets of Life Quotes and the related real estate and the issuance of shares of our common stock to Zions and recommends that you vote in favor of the issuance of our shares of common stock to Zions in connection with the acquisitions and (ii) the establishment of the Life Quotes employee stock option plan and recommends that you vote in favor of establishing the Life Quotes employee stock option plan. In addition, our Board of Directors recommends that you vote in favor of the nominee for election to the Board of Directors and in favor of ratifying Ernst & Young LLP as our independent auditors for 2004.

The affirmative vote of a majority of the shares that are present, in person or by proxy, at the annual meeting and entitled to vote will be sufficient to approve the stock issuance and the establishment of the Life Quotes employee stock option plan. The affirmative vote of a plurality of such shares will be sufficient to elect a director. The affirmative vote of a majority of such shares will be sufficient to ratify the appointment of the independent auditors.

Stockholders of record as of the close of business on March 23, 2004, the record date, will be entitled to notice of and to vote at the annual meeting or any adjournment thereof. A list of stockholders entitled to vote at the annual meeting will be available for inspection by stockholders for any purpose germane to the annual meeting at our offices for the ten days immediately preceding the annual meeting date. Our Annual Report for the year ended December 31, 2003 is being mailed to all stockholders of record on the record date and accompanies the enclosed proxy statement.

Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. Your proxy may be revoked in the manner described in the proxy statement at any time before it has been voted at the annual meeting.

By Order of the Board of Directors,

Robert S. Bland
Chairman of the Board, President and
Chief Executive Officer

Darien, Illinois
[ ], 2004

YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND RETURN YOUR PROXY PROMPTLY WHETHER OR NOT YOU PLAN TO ATTEND.

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS

Because we want to provide you with more meaningful and useful information, this proxy statement includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have attempted to identify these forward-looking statements by using words such as "may," "will," "expects," "anticipates," "believes," "intends," "estimates," "could," or similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks in 2003 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties, and other factors include, without limitation, the following:

the benefits expected to result from the acquisition of substantially all of the assets of Life Quotes and the related real estate;

the benefits expected to result from the issuance of shares of Quotesmith.com common stock to Zions in connection with the acquisition;

the performance and financial condition of Quotesmith.com, Life Quotes or the combined company following the acquisition;

the anticipated closing date of the acquisition;

our ability to achieve or sustain profitability;

demand for life insurance;

consumer acceptance of purchasing insurance on the Internet;

significant fluctuations in our quarterly results;

our ability to develop our brand recognition;

our number of agency contracts;

our ability to generate revenue from our strategic relationships;

our ability to manage our growth;

providing accurate insurance quotes;

our ability to manage our expense, quickly respond to changes in our marketplace and meet consumer expectations;

the complexity of our technology and our use of new technology;

our ability to hire and retain senior management and other qualified personnel;

intense competition in the insurance industry;

our ability to keep pace with technological changes and future regulations affecting our business;

the implementation of the Internet generally;

constraints of the systems we employ; and our ability to raise additional capital if necessary.

See the section of the proxy statement entitled "Risk Factors" beginning on page 17 for a description of these and other risks, uncertainties, and factors.

You should not place undue reliance on any forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this annual report. Unless otherwise expressly stated, all references to "we," "us," "our," "Quotesmith," and the "Company" refer to Quotesmith.com, Inc. and its subsidiary, prior to the consummation of the acquisition of substantially all of the assets of Life Quotes and the related real estate and the issuance of shares of Quotesmith.com common stock to Zions. The information contained on our Web sites, or Web sites that are linked to our Web sites, is not incorporated herein by reference.

QUESTIONS AND ANSWERS ABOUT THE STOCK ISSUANCE

Q: What am I being asked to vote upon?

A: You are being asked to approve the issuance of 2,363,636 shares of our common stock to Zions Bancorporation, or Zions, resulting in $13,000,000 in gross proceeds The stock issuance will provide the majority of the funds necessary to acquire Life Quotes, Inc., or Life Quotes. Approval of the stock issuance requires the affirmative vote of a majority of the total votes cast on the proposal in person or by proxy at the annual meeting.

Our Board of Directors unanimously approved the stock issuance, and unanimously recommends voting for the approval of the stock issuance.

Q: Why is Quotesmith.com acquiring Life Quotes?

A: During the last quarter of 2002 and the first quarter of 2003, we launched our proprietary online application technology for most of our term life sales. While providing a very efficient and cost effective method of fulfillment, it is our belief that not providing a personal, telephone based option for customers restricted the number of sales we could make to potential buyers. For this reason, we decided to acquire Life Quotes, a telephone based life insurance brokerage, to provide these services to customers as a telephone based complement to our online sales model for term life insurance.

To review the background and reasons for the acquisition in greater detail, see pages 30 through 32.

Q: What is the purchase price for the acquisition?

A: We will acquire substantially all of the assets of Life Quotes in exchange for the assumption of certain Life Quotes liabilities and payment of $13,395,000 in cash. We will acquire certain property in Evergreen, Colorado that is leased by Life Quotes for use in its business for $5,000,000.

We have also agreed to establish the Life Quotes employee stock option plan pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us.

Q: What are the conditions to closing the acquisition?

A: The acquisition is conditioned upon our having obtained the financing necessary to pay the purchase price. The stock issuance will provide the majority of the funds necessary to acquire Life Quotes. Other closing conditions are described on pages 40 and 41.

Q: Are there risks you should consider in deciding whether to vote in favor of the stock issuance?

A: Yes. You should carefully the matters discussed in the section of this proxy statement entitled "Risk Factors" beginning on page 17.

Q: Where can you learn more about other important terms of the stock issuance to Zions and the acquisition of Life Quotes?

A: To learn more about the other important terms of the stock issuance to Zions and the acquisition of Life Quotes, you should read carefully the sections of this proxy statement entitled "The Asset Purchase Agreement" beginning on page 37, "The Stock Purchase Agreement" beginning on page 43 and "Other Agreements" beginning on page 46 . The text of these agreements are attached to this proxy statement as **Annexes A-2** through **A-5**.

Q: What are the tax consequences of the stock issuance to me?

A: Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the stock issuance to you.

Q: Who is making this proxy solicitation?

A: We are making the solicitation at the direction of our Board of Directors.

Q: Do any directors or executive officers of Quotesmith.com have any direct or indirect interest in the stock issuance or the acquisition?

A: Messrs. Bland and Thoms are party to the investor rights agreement and have been granted a right of first refusal with respect to Zions' shares. See "Proposal 1. Approval of Stock Issuance to Zions Bancorporation Other Agreements Investor Rights Agreement."

Q: Who has the right to vote at the annual meeting?

A: Only holders of our common stock of record as of March 23, 2004 may vote at the annual meeting.

Q: What should I do now?

A: Just indicate on your proxy card how you want to vote, and sign and mail it in the enclosed envelope as soon as possible, so that your shares will be represented at the meeting.

Q: When and where will the annual meeting take place?

The meeting will take place at 9:00 a.m. on April 22, 2004 at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561. You may attend the meeting and vote your shares in person, rather than voting by proxy.

Q: Are you entitled to dissenter's or appraisal rights?

A: No. You are not entitled to dissenter's or appraisal rights in connection with the acquisition or the stock issuance.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: No. Your broker will vote your shares of common stock only if you provide instructions on how to vote. You should instruct your broker how to vote your shares following the directions the broker provides. If you do not provide instructions to your broker, your shares will not be voted.

Q: Can you change your vote after you have voted by proxy?

A: Yes. You may revoke a proxy at any time before the meeting is convened by filing with the secretary of Quotesmith.com an instrument of revocation or a duly executed proxy bearing a later date. You may also revoke a proxy by attending the annual meeting and voting in person, although attendance at the annual meeting will not, in and of itself, constitute a revocation of proxy.

Q: When is the acquisition of Life Quotes and the stock issuance expected to be completed?

A: We anticipate completing the acquisition of Life Quotes and the stock issuance shortly after the annual meeting, subject to satisfaction of the closing conditions under the asset purchase agreement and the stock purchase agreement.

Q: Who can help answer my questions?

A: If you want additional copies of this document, or if you want to ask any questions about the stock issuance or any other matter set forth in this proxy statement, you should contact: Phillip Perillo, Chief Financial Officer, Quotesmith.com, Inc., (630) 515-0170.

SUMMARY

This summary highlights the material information contained in the proxy statement, but may not contain all of the information that is important to you. You should read carefully this entire document, including the appendices, and the other documents to which we refer you for a more complete understanding of the transactions that are the subject of this proxy statement, as the discussion in this proxy statement is qualified in its entirety by reference to such appendices and other documents.

The Companies (Pages 50 66)

Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561
(630) 515-0170
www.insure.com

We are an insurance agency and brokerage headquartered in Darien, Illinois. We own and operate a comprehensive online consumer insurance information service, accessible at *www.Insure.com*, which caters to the needs of self-directed insurance shoppers. Since our inception in 1984, we have been continuously developing a proprietary and comprehensive insurance price comparison and order-entry system that provides instant quotes from over 200 insurance companies for numerous life and health insurance products. We use this database to provide customers with a large array of comparative life and health insurance quotes online, over the phone or by mail, and we allow the customer to purchase insurance from the company of their choice either online or over the phone with our licensed insurance customer service staff. Our website also provides insurance information and decision-making tools, along with access to other forms of personal insurance, such as auto, homeowners, renters, long-term care and travel insurance through various partners. We generate revenues from the receipt of commissions and fees paid by various sources, that are tied directly to the volume of insurance sales or traffic that we produce. We conduct our insurance agency and brokerage operations primarily using salaried, non-commissioned personnel and we generate prospective customer interest using traditional direct response advertising methods conducted primarily offline.

For the seven-year period ended December 31, 2003, we have spent a total of $57.3 million in direct-to-consumer advertising and have sold approximately 133,000 new policies.

We previously acquired selected assets of Insurance News Network, LLC, including its content-rich consumer information Web site, *www.insure.com*, which was regularly among the top five most visited insurance sites on the Internet. Insure.com provided insurance-related information and decision-making tools, along with library of thousands of insurance articles that are well organized and served up in an easy-to-navigate format. This information has been integrated with our insurance quoting services.

Shares of Quotesmith.com trade on the Nasdaq SmallCap Market under the symbol "QUOT." Information on Quotesmith.com's website does not constitute a part of this proxy statement. All common stock and per share information in this proxy statement have been retroactively adjusted to reflect a one-for-three reverse stock split that became effective on March 7, 2001.

Life Quotes, Inc.
32045 Castle Court
Evergreen, Colorado 80439
800-670-5433

Life Quotes, Inc. was founded in 1979 as a traditional life insurance agency. Instead of meeting with customers face-to-face, Life Quotes sells insurance by phone, fax, email and/or mail. People who need life insurance find Life Quotes through radio, television and internet advertising. Life Quotes employs over 80 people.

The Transactions (Pages 30 32)

We are proposing to acquire substantially all of the assets of Life Quotes, a domestic insurance agency operating in all 50 states, together with certain real estate owned by an affiliate of the sole stockholder of Life Quotes. We intend to fund this acquisition through the issuance of 2,363,636 shares of our common stock to Zions, resulting in $13,000,000 in gross proceeds. The proceeds of this stock issuance, together with cash on hand and/or borrowings under a loan agreement we may enter into, will be used to acquire the assets Life Quotes and the related real estate. Following the acquisition, the assets of Life Quotes and the related real estate will be owned by a wholly-owned subsidiary of Quotesmith.com.

In connection with the acquisition of the assets of Life Quotes, we have agreed to establish the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us.

The Stock Issuance (Page 43)

Pursuant to the stock purchase agreement we entered into with Zions on March 1, 2004, we have agreed to issue and sell to Zions, and Zions has agreed to purchase, 2,363,636 shares of our common stock, which includes an equal number of shares of our preferred share purchase rights, at an aggregate purchase price of $13,000,000, or approximately $5.50 per share. The closing of the issuance and sale of such common stock will occur on the same date as the closing of the transactions under the asset purchase agreement with Life Quotes and the related real property purchase agreement. The common stock to be issued to Zions will not be registered, and will be restricted following the stock issuance. In connection with the issuance of stock to Zions, we have entered into an investor rights agreement with Zions whereby we have agreed, among other things, to increase the size of our Board of Directors by one member and to appoint an individual designated by Zions to fill the newly created vacancy.

Material Conditions to the Stock Issuance (Pages 44 45)

Zions' obligations to consummate the stock issuance is subject to the satisfaction or waiver of certain conditions, including the following:

- There must be no event or circumstance that had or would reasonably be expected to have a material adverse effect on us;
- We must have filed all notices and obtained all consents required to be filed or obtained by us;
- The issuance of the stock by us must be legal, and there must be no order or action pending or threatened preventing or seeking to prevent the proposed issuance of such stock or the other transactions contemplated by the stock purchase agreement and the investor rights agreement;
- Our board must have taken the requisite steps to appoint to our board of directors a director designated by Zions in accordance with the investor rights agreement, as described below;
- All of our officers and employees must be must be bound by employment, confidentiality, non-compete, non-solicitation and work product agreements satisfactory to Zions;
- Zions must have completed its due diligence investigation of us;
- The acquisition of substantially all of the assets of Life Quotes and the related real estate must close simultaneously;
- We must have amended our rights plan to exempt the issuance of the stock to Zions;
- We must have obtained shareholder approval of the issuance of the stock to Zions; and
- Amendments and waivers of "change of control" provisions of the employment agreements of Robert S. Bland and William V. Thoms must have been obtained.

Termination of the Stock Purchase Agreement (Pages 45 46)

The stock purchase agreement may be terminated at any time prior to the Closing:

- by mutual consent of us and Zions;
- by either us or Zions if there has been a material breach of any representation, warranty, covenant or agreement on the part of the other set forth in the stock purchase agreement, which breach has not been cured within five business days after the breaching party receives notice of such breach, or if any order preventing the consummation of the transactions contemplated by the stock purchase agreement or the investor rights agreement has become final and non-appealable; or
- by either us or Zions, so long as such party has not materially breached its obligations under the stock purchase agreement, if the closing has not occurred on or before June 1, 2004.

The Investor Rights Agreement (Pages 46 48)

In connection with the stock purchase agreement, we entered into an investor rights agreement with Zions. The investor rights agreement provides certain demand registration rights to the holders of 50% or more of the stock we are issuing to Zions. In addition, the investor rights agreement provides Zions with certain rights for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, including that:

- Zions will have preemptive rights to subscribe for future issuances of our securities, other than issuances under certain authorized or issued options, under our employee stock purchase plan or in a registered offering;
- We will comply with certain covenants regarding the operation of our business;
- The number of directors on our board of directors will be fixed at seven, and Zions will be entitled to nominate or appoint one of such directors;
- The consent of the majority of our board of directors will be required for us to take certain actions, and the consent of 75% of the members of our board of directors will be required for us to other actions

We also agreed to maintain certain directors' and officers' liability insurance for the director nominated or appointed by Zions, and to indemnify and hold harmless such director to the same extent as all of our other directors.

Zions has agreed that, without the consent of a majority of our board of directors, it and its affiliates will not, prior to the first anniversary of the closing date of the stock issuance, take certain actions.

In addition, Robert S. Bland and William V. Thoms agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, if either proposes to sell any of their Quotesmith.com common stock, subject to certain exceptions, they will afford Zions the right to participate proportionately in such sale.

Mr. Bland and Mr. Thoms also granted to Zions, and Zions granted to us, Mr. Bland and Mr. Thoms, a right of first refusal with respect to certain transfers of their shares of our common stock.

The Acquisition of Life Quotes (Pages 37 38)

Pursuant to the asset purchase agreement we entered into with Life Quotes dated as of January 31, 2004 (signed March 1, 2004), we have agreed to acquire substantially all of the assets of Life Quotes and assume certain specified liabilities. Under the terms of the real property purchase agreement we entered into with an affiliate of the sole stockholder of Life Quotes dated as of January 31, 2004 (signed March 1, 2004), we have agreed to acquire the real property currently used by Life Quotes. We will use the proceeds of the stock issuance to Zions, together with cash on hand and/or borrowings under a loan agreement we may enter into, to consummate these acquisitions.

Purchase Price (Page 38)

We will acquire substantially all of the assets of Life Quotes in exchange for the assumption of certain Life Quotes liabilities and payment of $13,395,000 in cash. Of such cash, at closing, $13,045,000 will be paid to Life Quotes and $350,000 will be deposited with an escrow agent in accordance with an escrow agreement. Under such escrow agreement, within thirty days after the one year anniversary of the closing date, we will deliver to Life Quotes a statement setting forth the amount of accounts receivable arising out of the conduct of Life Quotes' business that we collected in such one year period. If such amount of accounts receivable exceeds $2,450,000, then the entire $350,000 placed in escrow will be paid to Life Quotes. However, if the amount of accounts receivable is less than $2,450,000, then the difference will be paid to us from the escrowed cash, and the remainder will be paid to Life Quotes. If the shortfall exceeds $350,000, we will be paid the entire escrowed amount but will not be able to recover any additional sums from Life Quotes or Kenneth L. Manley.

We will acquire certain property in Evergreen, Colorado that is leased by Life Quotes for use in its business for an additional $5,000,000, subject to customary prorations. We have also agreed to establish the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us.

Closing of the Acquisitions (Page 38)

The acquisition will close on a date to be designated by us and Life Quotes after the satisfaction or waiver of the conditions described below, but no later than April 1, 2004, unless another time or date is agreed to by the parties. We may extend the closing date to no later than August 1, 2004, but will be required to pay Life Quotes interest on $18,395,000 at the rate of 4.5% per annum for the period from April 1, 2004 to the date the closing occurs, and will also be required to pay Life Quotes $5,000 per week for the services of Kenneth L. Manley for the period from April 1, 2004 to the date the closing occurs. If the closing has not occurred by April 1, 2004 (or August 1, 2004, if we extend the closing date), then the agreement will terminate, subject to the survival of certain of the rights and obligations discussed below.

Material Conditions to the Consummation of the Acquisitions (Pages 40 41)

Our and Life Quotes' respective obligations to close the proposed acquisitions are subject to the satisfaction or waiver of the following conditions:

- The sale of real estate under the real property purchase agreement must close simultaneously;
- The escrow agreement must have been entered into;
- All necessary regulatory approvals must have been received; and
- No action or order preventing or seeking to prevent the proposed acquisitions must be pending or threatened.

Our obligations to close the proposed acquisitions are also subject to the satisfaction or waiver of certain conditions, including the following:

- The representations and warranties of Life Quotes and Kenneth L. Manley must be true and correct in all material respects as of the closing date, and Life Quotes and Kenneth L. Manley must have performed the covenants and agreements to be performed by them in all material respects on or before the closing date;
- The non-competition agreement described below must have been entered into;

- The opinion of Mystic Capital must not be withdrawn or modified;
- We must have completed a satisfactory due diligence investigation of the assets and business we are acquiring; and
- We must have obtained the financing necessary to pay the purchase price.

Life Quotes' and Kenneth L. Manley's obligations to close the proposed acquisitions are also subject to the satisfaction or waiver of certain conditions, including the following:

- Our representations and warranties must be true and correct in all material respects as of the closing date, and we must have performed the covenants and agreements to be performed by us in all material respects on or before the closing date.

Information about the Annual Meeting (Pages 27 28)

The annual meeting of Quotesmith.com will be held on April 22, 2004, at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, at 9:00 a.m., Chicago time. The meeting will be held for the following purposes:

- to approve the stock issuance;
- to approve the establishment of the Life Quotes employee stock option plan;
- to elect one director to serve until the 2007 Annual Meeting of Stockholders;
- to ratify the appointment of Ernst & Young LLP as our auditors for the year ending December 31, 2004; and
- to transact such other business as may properly come before the annual meeting or any adjournment thereof.

SELECTED FINANCIAL AND OTHER DATA OF QUOTESMITH.COM

The historical statement of operations data and balance sheet data in the table below is derived from our financial statements. This data should be read in conjunction with "Quotesmith.com Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements, related notes, and other financial information included elsewhere in this proxy statement. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 9,737	$ 10,777	$ 8,851	$ 15,236	$ 8,408
Expenses:					
Selling and marketing	4,735	2,912	7,052	24,201	14,397
Operations	3,394	7,756	6,004	7,445	5,481
General and administrative	3,349	3,194	3,503	4,432	3,570

	Year Ended December 31,				
Total expenses	11,478	13,862	16,559	36,078	23,448
Operating loss	(1,741)	(3,085)	(7,708)	(20,842)	(15,040)
Interest income, net	368	359	1,075	2,220	1,220
Realized gain on sale of securities	92				
Net loss	$ (1,281)	$ (2,726)	$ (6,633)	$ (18,622)	$ (13,820)
Basic and diluted net loss per share	$ (0.26)	$ (0.55)	$ (1.22)	$ (2.93)	$ (2.64)
Weighted average common shares and equivalents outstanding, basic and diluted	4,917	4,964	5,441	6,366	5,237

	December 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Balance Sheet Data:					
Cash and equivalents	$ 677	$ 1,640	$ 4,033	$ 4,269	$ 8,990
Working capital	5,607	10,485	18,514	27,443	48,308
Total assets	17,526	19,559	23,000	32,643	55,178
Long-term liabilities		35	84	128	
Total liabilities	760	1,464	1,085	2,976	5,982
Total stockholders' equity	16,766	18,095	21,915	29,667	49,196

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Selected Operating Statistics:					
Completed quotes					
Term life	866,000	1,266,000	1,425,000	2,105,000	1,496,000
Health and other	960,000	1,305,000	876,000	1,993,000	963,000
Total completed quotes	1,826,000	2,571,000	2,328,000	4,098,000	2,459,000
Policies sold					
Term life	11,011	16,498	16,915	33,491	17,093
Health and other	4,845	4,753	3,367	4,029	747
Total policies sold	15,856	21,251	20,282	37,520	17,786

Selected Quarterly Operating Results

The following tables set forth unaudited quarterly statements of operations data for 2003 and 2002. The information for each of these quarters has been prepared on substantially the same basis as the audited financial statements included elsewhere in this annual report, and, in our opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for these periods. Historical results are not necessarily indicative of the results to be expected in the future, and results of interim periods are not necessarily indicative of results for the entire year.

2003	Quarter Ended Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
Revenues	$ 2,572	$ 2,510	$ 2,430	$ 2,225
Expenses:				
Selling and marketing	1,303	1,356	1,076	1,001
Operations	972	837	835	749
General and administrative	801	816	929	803
Total expenses	3,076	3,009	2,840	2,553
Operating loss	(504)	(499)	(410)	(328)
Interest income, net	91	98	91	88
Realized gains (losses) on sale of securities		93		(1)
Net loss	$ (413)	$ (308)	$ (319)	$ (241)
Net loss per share basic and diluted	$ (0.08)	$ (0.06)	$ (0.06)	$ (0.05)

2002	Quarter Ended Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
Revenues	$ 2,572	$ 3,194	$ 2,667	$ 2,344
Expenses:				
Selling and marketing	588	667	622	1,035
Operations	1,933	2,014	2,280	1,529
General and administrative	853	811	781	749
Total expenses	3,374	3,492	3,683	3,313
Operating loss	(802)	(298)	(1,016)	(969)
Interest income, net	102	76	84	97
Net loss	$ (700)	$ (222)	$ (932)	$ (872)
Net loss per share basic and diluted	$ (0.14)	$ (0.04)	$ (0.19)	$ (0.18)

SELECTED FINANCIAL DATA OF LIFE QUOTES

The historical statement of operations data and balance sheet data in the table below is derived from the unaudited financial statements of Life Quotes. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31, 2003	2002

	Year Ended December 31,	
	(in thousands)	
Statement of Operations Data:		
Revenues	$ 10,407	$ 8,941
Expenses:		
Selling and marketing	3,557	2,166
Selling, general and administrative	5,730	5,991
Total expenses	9,287	8,157
Net income	1,120	784

	December 31,	
	2003	2002
	(in thousands)	
Balance Sheet Data:		
Cash and equivalents	$ (61)	$ 37
Working capital	398	379
Total assets	710	675
Total liabilities	89	50
Total stockholders' equity	621	625

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The preliminary unaudited pro forma condensed combined balance sheet at December 31, 2003 combines the historical consolidated balance sheets of Quotesmith.com and Life Quotes, giving effect to the acquisition as if it had been consummated on December 31, 2003. The preliminary unaudited pro forma condensed combined statement of operations for the year ended December 31, 2003 combines the historical consolidated statements of operations of Quotesmith.com and Life Quotes giving effect to the acquisition as if it had occurred on January 1, 2003. We have adjusted the historical financial statements to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results. You should read this information in conjunction with the:

- accompanying notes to the preliminary unaudited pro forma condensed combined financial statements;
- our historical financial statements as of and for the year ended December 31, 2003 included elsewhere in this proxy statement; and
- Life Quotes' separate historical unaudited financial statements as of and for the year ended December 31, 2003 included elsewhere in this proxy statement.

The preliminary unaudited pro forma condensed combined financial statements have been prepared for informational purposes only. The preliminary unaudited pro forma condensed combined financial statements are not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed at the dates indicated. In addition, the preliminary unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma condensed combined financial statements have been prepared using the purchase method of accounting with Quotesmith.com treated as the accounting acquirer. Accordingly, our cost to acquire Life Quotes has been allocated to the acquired assets and liabilities based upon their estimated fair values at the date indicated. The allocation of the purchase price is preliminary and is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

11

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	At December 31, 2003				
	Historical Quotesmith.com	Historical Life Quotes	Pro Forma Adjustments		Pro Forma Combined
	(in thousands)				
Assets					
Cash equivalents	$ 677	$ (61)	$ 61	(a)	$ 677
Fixed maturity investments	4,204				4,204
Commission receivable	1,062	462	1,581	(b)	3,105
Other current assets	424	86	(86)	(c)	424
Total current assets	6,367	487	1,556		8,410
Fixed maturity investments	10,346		(5,395)	(d)	4,951
Land			830	(e)	830
Building			4,670	(e)	4,670
Furniture, equipment and computer software	375	223			598
Intangible assets	438		3,700	(f)	4,138
Goodwill			6,929	(g)	6,929
Total Assets	$ 17,526	$ 710	$ 12,290		$ 30,526
Liabilities and Stockholders' Equity					
Accounts payable and accrued liabilities	$ 760	$ 89	$ (89)	(g)	$ 760
Total liabilities	760	89	(89)		760
Stockholders Equity:					
Common Stock	22		7	(i)	29
Additional Paid-in Capital	64,076		12,993	(i)	77,069
Retained earnings (deficit)	(43,469)	621	(621)	(j)	(43,469)
Treasury stock	(3,794)				(3,794)

	At December 31, 2003			
Accumulated other comprehensive income	(69)			(69)
Total stockholders' equity	16,766	621	12,379	29,766
Total liabilities and stockholders' equity	$ 17,526	$ 710	$ 12,290	$ 30,526

See accompany notes.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Year Ended December 31, 2003				
	Historical Quotesmith.com	**Historical Life Quotes**	**Pro Forma Adjustments**		**Pro Forma Combined**
	(in thousands, except per share data]				
Revenues:					
Commissions and fees	$ 9,718	$ 10,369	$ 177	(k)	$ 20,264
Other	19	38			57
Revenue	9,737	10,407	177		20,321
Expenses:					
Selling and marketing	4,735	3,557			8,292
Operations	3,395	4,087			7,482
General and administrative	3,349	1,643	188	(l)	5,180
Total expenses	11,479	9,287	188		20,954
Operating Income (Loss)	(1,742)	1,120	(11)		(633)
Interest income, net	368		(138)	(m)	230
Realized gains on sale of securities	93				93
Income (loss) before income taxes	(1,281)	1,120	(149)		(310)
Income tax credit					
Net income (loss)	$ (1,281)	$ 1,120	$ (149)		$ (310)
Net loss per common share, basic and diluted	$ (0.26)				$ (0.04)
Weighted average common shares and equivalents outstanding, basic and diluted	4,917,314		2,363,636		7,280,950

See accompanying notes.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1 Basis of Pro Forma Presentation

On March 1, 2004 we entered into an asset purchase agreement with Life Quotes and a real estate purchase agreement with an affiliate of the sole stockholder of Life Quotes (each dated as of January 31, 2004). Under the terms of the asset purchase agreement, we have agreed to acquire substantially all of the assets of Life Quotes, and assume certain specified liabilities, for a payment of $13,395,000, subject to adjustment. Under the terms of the real estate purchase agreement, we have agreed to acquire the real property currently used by Life Quotes for a payment of $5,000,000, subject to customary prorations at closing.

We also entered into a stock purchase agreement with Zions on March 1, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for $13,000,000 in proceeds. We will use the proceeds of the stock issuance to Zions, together with cash on hand and/or borrowings under a loan agreement we may enter into, to consummate these acquisitions.

The preliminary unaudited pro forma condensed combined balance sheet as of December 31, 2003 reflects the acquisition as if it occurred on December 31, 2003. The preliminary unaudited pro forma condensed combined income statement for the year ended December 31, 2003 reflects the acquisition as if it occurred on January 1, 2003.

The preliminary estimated purchase price has been allocated as follows based upon purchase accounting adjustments as of December 31, 2003 (in thousands):

Land and Building(1)	$	5,500
Accounts Receivable(2)		2,042
Other tangible assets		224
Intangible Assets(3)		3,700
Goodwill		6,929
Allocated purchase price	$	18,395

(1) Represents adjustments for fair value.

(2) Represents adjustments to conform Life Quotes' accounting policy to that of Quotesmith.com.

(3) Represents identified finite life intangible assets, primarily customer-related insurance intangibles and a non-compete contract

The preliminary unaudited pro forma condensed combined financial statements presented herein are not necessarily indicative of the results of operations or the combined financial position that would have resulted had the acquisition been completed at the dates indicated, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

The preliminary unaudited pro forma condensed combined financial statements have been prepared assuming that the acquisition is accounted for under the purchase method of accounting (purchase accounting) with Quotesmith.com as the acquiring entity. Accordingly, under purchase accounting, the assets and liabilities of Life Quotes are adjusted to their fair value. For purposes of these preliminary unaudited pro forma condensed combined financial statements, consideration has also been given to the impact of conforming Life Quotes' accounting policies to those of Quotesmith.com. Additionally, certain amounts in the historical consolidated financial statements of Life Quotes have been reclassified to conform to our financial statement presentation. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma adjustments represent management's estimates based on information available at this time. Actual adjustments to the combined balance sheet and income statements will differ, perhaps materially, from those reflected in these preliminary unaudited pro forma condensed combined financial statements because the assets and liabilities of Life Quotes will be recorded at their respective fair values on the date the acquisition is consummated, and the preliminary assumptions used to estimate these fair values may change between now and the completion of the acquisition. Estimated fair

value adjustments to certain balance sheet amounts are preliminary and may change as a result of additional analysis. The final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

The preliminary unaudited pro forma adjustments included herein are subject to other updates as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the acquisition is consummated and after completion of a thorough analysis to determine the fair values of Life Quotes' tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments, including conforming of Life Quotes' accounting policies to those of the Company, could be materially different from the preliminary unaudited pro forma adjustments presented herein. Any increase or decrease in the fair value of Life Quotes' assets, liabilities, commitments, contracts and other items as compared to the information shown herein will change the purchase price allocable to goodwill and may impact the combined income statements.

Note 2 Pro Forma Adjustments

The pro forma adjustments related to the preliminary unaudited pro forma condensed combined balance sheet as of December 31, 2003 assume the acquisition took place on December 31, 2003. The pro forma adjustments to the preliminary unaudited pro forma condensed combined statement of operations for the year ended December 31, 2003 assumes the acquisition took place on January 1, 2003.

The following pro forma adjustments result from the allocation of the purchase price for the acquisition based on the fair value of the assets, liabilities and commitments acquired from Life Quotes and to conform Life Quotes' accounting policies to ours. The amounts and descriptions related to the preliminary adjustments are as follows:

	Increase (Decrease) As of December 31, 2003 (in thousands)	
Unaudited Pro Forma Condensed Combined Balance Sheet		
a) Elimination of Life Quotes asset not acquired	$	61
b) Adjustment to conform the accounting policy for receivable and revenue recognition		1,581
c) Elimination of Life Quotes asset not acquired		(86)
d) Invested assets to be used to complete the acquisition		(5,395)
e) Acquisition of land and building at fair value		5,500
f) Record the identifiable intangible assets related to this acquisition See Note 3		3,700
g) Record the goodwill associated with the acquisition		6,929
h) Eliminate Life Quotes liabilities not assumed		(89)
i) Record sale of common stock to Zions Bancorporation		13,000
j) Eliminate Life Quotes retained earnings		(621)

	Increase (Decrease) Year Ended December 31, 2003 (in thousands)	
Unaudited Pro Forma Condensed Combined Statement of Operations		
k) Adjustment to conform the accounting policy for receivable and revenue recognition	$	177
l) Adjustments to record depreciation and amortization of acquired assets, and to eliminate rent expense		188

	Increase (Decrease) Year Ended December 31, 2003
m) Adjustment to recognized reduction in investment income for invested assets used to complete the acquisition	(138)

Note 3 Identified Intangible Assets

A summary of the significant identifiable intangible assets and their respective estimated useful lives is as follows:

	Intangible Asset Balance	Estimated Useful Life	Amortization Method
	(in thousands)		
Insurance contract renewals	$ 3,500	10 years	Accelerated(a)
Non-compete agreement	200	6 years	Straight line
Total	$ 3,700		

(a) Based on rates derived from expected lapse rates.

Note 4 Earnings Per Share

The pro forma earnings per common share data has been computed based on the combined historical income of Life Quotes and Quotesmith.com and the impact of pro forma adjustments. Weighted average shares were calculated using our historical weighted average common shares outstanding and the shares to be issued to Zions.

RISK FACTORS

Risks Relating to the Proposed Stock Issuance

If the issuance of 2,363,636 shares of Quotesmith.com stock to Zions is approved and consummated, Zions, together with two of our officers and directors, will own a significant portion of our stock and control Quotemsith.com and their interests may not be the same as our public stockholders

As of March 5, 2004, Robert Bland, our chairman, President and Chief Executive Officer directly or indirectly controlled 47.5% of our outstanding common stock, and William Thoms, our Executive Vice President and Chief Operating Officer, directly controlled 14.5% of our outstanding common stock. Following the consummation of the issuance of 2,363,636 shares of our common stock to Zions, Messrs. Bland and Thoms would directly or indirectly control 32.2% and 9.8%, respectively, of our common stock, and Zions will directly control 32.3% of our common stock. As a result, if Zions and Messrs. Bland and Thoms act together, or if Zions and Mr. Bland act together, they will be able to take any of the following actions without the approval of additional public stockholders:

- elect our directors;
- amend certain provisions of our certificate of incorporation,
- approve a merger, sale of assets or other major corporate transaction;
- defeat any takeover attempt, even if it would be beneficial to our public stockholders; and
- otherwise control the outcome of all matters submitted for a stockholder vote.

In addition, the investor rights agreement we signed with Zions will also give Zions the right to designate one member of our Board of Directors. We must receive a vote of at least 75% of our directors to take certain actions.

This control could discourage others from initiating a potential merger, takeover or another change of control transaction that could be beneficial to our public stockholders. As a result, the market price of our common stock could be harmed.

Risks Relating to the Proposed Acquisition of
Substantially all of the Assets of
Life Quotes and the Related Real Estate

The acquisition of substantially all of the assets of Life Quotes and the related real estate may not provide a successful and profitable complement to our sales efforts

We have agreed to acquire substantially all of the assets of Life Quotes and the related real estate. Following the acquisition, the assets of Life Quotes and the related real estate will be owned and operated by Life Quotes Acquisition, Inc., our wholly-owned subsidiary. Life Quotes is an Evergreen, Colorado based term life insurance brokerage. Life Quotes sells insurance over the phone to customers who call for a quote in response to direct response advertising. In anticipation of this acquisition, we entered into an agreement with Life Quotes to receive calls from customers in response to a phone number placed in certain of our advertising. We intend to continue directing these calls to the Life Quotes operation after the acquisition. While Life Quotes has operated profitably in the past, there can be no assurance that it will do so after the acquisition or that our company as a whole will be profitable. There can also be no assurance that this operation will form a successful complement to our present online sales and fulfillment model and generate the anticipated additional sales revenue from our present advertising.

We may not be successful at integrating and managing the Life Quotes operation

Life Quotes uses a different business model than our own, using commission based telephone sales personnel to provide quotes and take applications, whereas we use primarily salaried insurance professionals to answer questions and process applications primarily filled out online by the customer. While our intent is to operate Life Quotes as a stand-alone sales organization in Evergreen, Colorado through our wholly-owned subsidiary, there can be no assurance that we will be able to operate these two different business models efficiently and effectively.

Kenneth L. Manley will have a limited ability to compete with us

After the consummation of the acquisition of Life Quotes, Kenneth L. Manley, the current owner of Life Quotes, has informed us that he intends to, and the agreements we have and will sign with him permit him to, set up and sell life insurance. Any life insurance Mr. Manley sells must be sold by him as a general agent to us. He is also limited in the amount of life insurance he may sell to not more than $2.0 million a year commissionable previews. As a result, he has the limited ability to directly compete with us, which may harm us.

We may not be successful at integrating the operating systems at Life Quotes with our own systems

Life Quotes has its own proprietary software that is used for quoting, preparation of applications and customer data base management. There can be no assurance that we will successfully integrate these systems with our own. If we are unable to do so, our business will be harmed.

Risks Related to Our Business

Our insurance brokerage business has not been profitable and may not become profitable in the future, even with the new telephone sales and fulfillment facility

Our first complete year of focusing on our Internet based insurance service was 1997. We incurred operating losses each year subsequent to 1997, through the year ended December 31, 2003. Because of our overhead structure, including the ongoing costs of employing highly-skilled technical personnel, we will need to generate higher revenues than we did in 2003 in order to achieve profitability. Even if we achieve profitability, we may not be able to maintain profitability in the future.

If the term life insurance industry declines, our business will suffer because 71% of our 2003 revenues were derived from the sale of term life insurance

For the year ended December 31, 2003, approximately 71% of our revenue was derived from the sale of individual term life insurance (or approximately 86% if we had acquired Life Quotes as of such date). Because of this high concentration of revenue from one line of insurance, our current financial condition is largely dependent on the economic health of the term life insurance industry. If sales of term life insurance decline, for any reason, our business would be substantially harmed. In addition, in recent years, term life insurance premiums have been declining. If term life insurance premiums continue to decline, it will become even more difficult for us to become profitable.

If the purchase of insurance over the Internet or our service offerings do not achieve widespread consumer acceptance, our business will be harmed

Our future success will depend in large part on widespread consumer acceptance of purchasing insurance via the Internet. The development of an online market for insurance has only recently begun, is rapidly evolving and likely will be characterized by an increasing number of market entrants. Therefore, there is significant uncertainty with respect to the viability and growth potential of this market. Our future growth, if any, will depend on the following critical factors:

- the growth of the Internet as a commerce medium generally, and as a market for consumer financial products and services specifically;
- the continued participation and interest of major, brand-name insurers, and, in particular, their willingness to have their insurance products distributed on an e-commerce platform without the involvement of a face-to-face agent or broker;
- consumers willingness to conduct self directed insurance research;
- our ability to successfully and cost effectively market our services to a sufficiently large number of consumers;
- our ability to consistently fulfill application requests on an efficient and timely basis; and
- our ability to overcome a perception among many consumers that obtaining insurance online is risky.

We cannot assure you that the market for our services will develop, that our services will be adopted or that consumers will significantly increase their use of the Internet for obtaining insurance. If the online market for insurance fails to develop or develops more slowly than we expect, or if our services do not achieve widespread market acceptance, our business would be significantly harmed.

We may generate limited commission revenues because consumers can obtain free quotes and other information without purchasing insurance through our Web site

We generate commission revenues only if a consumer purchases insurance through our service. Consumers can access our Web site and obtain quotes and other information free of charge without any obligation to purchase insurance through us. Because all of the insurance policies quoted at our Web site can be purchased through sources other than us, consumers may take the quotes and other information that we provide to them and purchase one of our quoted policies from the agent or broker of their choice. If consumers only use our Web site for insurance quote information purposes, we will not generate revenues and our business would be significantly harmed.

We expect to experience significant fluctuations in our quarterly results, which makes it difficult for investors to make reliable period to period comparisons and may contribute to volatility in our stock price

Our quarterly revenues and operating results have fluctuated widely in the past and we expect them to continue to fluctuate widely in the future. Causes of these fluctuations could or have included, among other factors:

- dramatic swings in monthly unique visitors to our Web sites from one month to the next without any forewarning;
- changes in selling and marketing expenses, as well as other operating expenses;
- the length of time it takes for an insurance company to verify that an applicant meets the specified underwriting criteria this process can be lengthy, unpredictable and subject to delays over which we have little or no control, including underwriting backlogs of the insurance company and the accuracy of information provided by the applicant; we tend to place a significant number of policies with the most price competitive insurance companies, who, due to volume, have longer and more unpredictable underwriting time frames;
- volatility in bonus commissions paid to us by insurance companies which typically are highest in the fourth quarter;
- volatility in renewal commission income;
- the conversion and fulfillment rates of consumers' applications, which vary according to insurance product;
- new Web sites, services and products by our competitors;
- price competition by insurance companies in the sale of insurance policies; and
- the level of Internet usage for insurance products and services.

In addition, we have a very long revenue cycle. As a result, substantial portions of our expenses, including selling and marketing expenses, are incurred well in advance of potential matching revenue generation. If revenues do not meet our expectations as a result of these selling and marketing expenses, our results of operations will be negatively affected.

Any one or more of the above mentioned factors could harm our business and results of operations, which makes quarterly predictions difficult and often unreliable. As a result, we believe that quarter to quarter comparisons of our operating results are not necessarily meaningful and not good indicators of our future performance. Due to the above mentioned and other factors, it is possible that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock would likely decrease.

We must further develop our brand recognition in order to remain competitive

There are a number of other Web sites that offer services that are competitive with our services. Therefore, we believe that broader recognition and a favorable consumer perception of the Insure.com and the Life Quotes brands are essential to our future success. Accordingly, we intend to continue to pursue an aggressive brand enhancement strategy consisting of advertising, online marketing, and promotional efforts. If these expenditures do not result in a sufficient increase in revenues to cover these additional selling and marketing expenses, our business, results of operations and financial condition would be harmed.

We do not have agency contracts with all of the insurance companies we quote on our Web site and some insurance companies may refuse to participate in our database or refuse to do business with us

While we obtain the information contained in our database directly from over 200 insurance companies being quoted and listed on our Web site, we currently only hold agency contracts with 180 of these insurance companies. In the past, a number of insurance companies quoted on our Web site have refused to appoint us as an agent or refused to permit us to publish their quotes for various reasons, including:

- we do not meet with our customers on a face to face basis;
- some insurance companies may have exclusive relationships with other agents;
- we publicly market our service on a price oriented basis which is not compatible with the insurance company's branding efforts; and
- a formal business relationship with us might be perceived negatively by the insurance company's existing distribution channels.

We do not intentionally include in our database insurance companies who object to their inclusion. If a significant number of insurance companies object to the inclusion of their information in our database, the breadth of our database would be limited. If consumers purchase a material number of policies from insurance companies with whom we are not appointed as an agent, and these insurance companies refuse to enter into agency contracts with us, it could harm our business and results of operations.

In addition, the insurance companies with which Life Quotes currently does business may refuse to continue to do business with Life Quotes after we acquire their business. Many of these insurance companies have the ability to terminate their agency relationship upon thirty days notice.

Our strategic relationships and agreements may not generate a material amount of revenues for us

As part of our marketing strategy, we have entered into certain strategic relationships and agreements with third-party Web sites and companies in order to increase the realized revenue from visitors to our Web sites. During 2003, we generated fee revenues totaling $1.7 million from these sources. Most of these strategic agreements permit either party to terminate the agreement with short notice. As a result, we cannot assure you that any of these relationships or agreements will be profitable or generate any material amount of revenues in the future. If our strategic relationships and agreements do not meet our expectations regarding revenues and earnings, our business could be harmed.

If we do not manage our growth effectively, our business could be harmed

We have expanded our operations significantly since May 1996 and anticipate that further expansion may be required to realize our growth strategy. Our operations growth has placed significant demands on our management and other resources, which is likely to continue. To manage our future growth, we will need to attract, hire and retain highly skilled and motivated officers, managers and employees and improve existing systems and/or implement new systems for:

- transaction processing;
- operational and financial management; and
- training, integrating and managing our growing employee base.

We may not be successful in managing or expanding our operations or maintaining adequate management, financial and operating systems and controls.

If we lose any of our key executive officers our business may suffer because we rely on their knowledge of our business

We believe that our success is significantly dependent upon the continued employment and collective skills of our executive officers, including Founder and Chief Executive Officer, Robert S. Bland, and Executive Vice President and Chief Operating Officer, William V. Thoms. We maintain key man life insurance policies on Messrs. Bland and Thoms and both of these officers have entered into employment contracts with us. The loss of either of these two executives or any of our other key executive officers could harm us.

If our insurance quotes are inaccurate and we must pay out cash reward guarantees, our business could be harmed

We offer consumers a $500 cash reward guarantee that we provide an accurate insurance quote. For the year ended December 31, 2001, we paid $7,500, for the year ended December 31, 2002, we paid $10,000 and for the year ended December 31, 2003, we paid $8,500 in such cash rewards. If our quotes or those of services with respect to which we have click through arrangements are inaccurate and we are required to pay a material number of cash reward guarantees, it could have a negative effect on our operation results.

Risks Related to the Insurance Industry

Our bonus commission revenues are highly unpredictable and may cause fluctuations in our operating results

Our bonus commission revenues relate to the amount of premiums paid for new insurance policies to a single insurance company. In other words, if consumers purchase policies from a fewer number of insurance companies our bonus commissions may be higher than if the same policies were purchased from a larger number of insurance companies. The decision to purchase a policy from a particular insurance company typically relates to, among other factors, price of the policy and rating of the insurance company, both of which are factors over which we have no control. Insurance companies often change their prices in the middle of the year for competitive reasons. This may reduce the number of policies placed with that insurance company which may then reduce our potential bonus commissions. In addition, we have no control over the bonus commission rates that are set by each individual insurance company. As a result of these factors, we are unable to control the amount and timing of bonus commission revenues we receive in any particular quarter or year and these amounts may fluctuate significantly.

The insurance sales industry is intensely competitive, and if we fail to successfully compete in this industry our market share and business will be harmed

The markets for the products and services offered on our site are intensely competitive and characterized by rapidly changing technology, evolving regulatory requirements and changing consumer demands. We compete with traditional insurance distribution channels, including insurance agents and brokers, new non-traditional channels such as commercial banks and savings and loan associations, and a growing number of direct distributors including other online services, such as InsWeb Corporation and SelectQuote.

We also potentially face competition from a number of large online services that have expertise in developing online commerce and in facilitating a high volume of Internet traffic for or on behalf of our competitors. For instance, some of our competitors have relationships with major electronic commerce companies. Other large companies with strong brand recognition, technical expertise and experience in online commerce and direct marketing could also seek to compete in the online insurance market.

There can be no assurance that we will be able to successfully compete with any of these current or potential insurance providers.

Insurance companies that have appointed us as agents may cancel those appointments

Most of our agency contracts allow the insurance company to cancel our agency appointment at any time. Should any of the companies with which we place significant amounts of business decide to cancel our appointments, our business could be harmed.

Risks Related to Regulation

Our compliance with the strict regulatory environment applicable to the insurance industry is costly, and if we fail to comply with the numerous laws and regulations that govern the industry we could be subject to penalties

We must comply with the complex rules and regulations of each jurisdiction's insurance department which impose strict and burdensome guidelines on us regarding our operations. Compliance with these rules and regulations imposes significant costs on our business. Each jurisdiction's insurance department typically has the power, among other things, to:

- authorize how, by which personnel and under what circumstances an insurance premium can be quoted and published;
- approve which entities can be paid commissions from insurance companies;
- license insurance agents and brokers;
- monitor the activity of our non-licensed customer service representatives; and
- approve policy forms and regulate some premium rates.

Due to the complexity, periodic modification and differing statutory interpretations of these laws, we may not have always been and we may not always be in compliance with all these laws. In addition, Life Quotes has at times been subject to regulatory action for failing to comply with these laws. Failure to comply with these numerous laws in the future could result in fines, additional licensing requirements or the revocation of our license in the particular jurisdiction. These penalties could significantly increase our general operating expenses and harm our business. In addition, even if the allegations in any regulatory action against us turn out to be false, negative publicity relating to any allegations could result in a loss of consumer confidence and significant damage to our brand. We believe that because many consumers and insurance companies are not yet comfortable with the concept of purchasing insurance online, the publicity relating to any such regulatory or legal issues could harm our business.

Regulation of the sale of insurance over the Internet and other electronic commerce is unsettled, and future regulations could force us to change the way we do business or make operating our business more costly

As a company involved in the sale of insurance over the Internet, we are subject to additional regulatory risk as insurance regulations have not been fully modified to cover Internet transactions. Currently, many state insurance regulators are exploring the need for specific regulation of insurance sales over the Internet. Any new regulation could dampen the growth of the Internet as a means of providing insurance services. Moreover, the laws governing general commerce on the Internet remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing intellectual property, privacy and taxation apply to the Internet. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business over the Internet. Any new laws or regulations or new interpretations of existing laws or regulations relating to the Internet could harm our business.

If we become subject to legal liability for the information we distribute on our Web site or communicate to our customers, our business could be harmed

Our customers rely upon information we provide regarding insurance quotes, coverage, exclusions, limitations and ratings. To the extent that the information we provide is not accurate, we could be liable for damages from both consumers and insurance companies. These types of claims have been brought, sometimes successfully, against agents, online services and print publications in the past. These types of claims could be time consuming and expensive to defend, divert management's attention, and could cause consumers to lose confidence in our service. As a result, these types of claims, whether or not successful, could harm our business, financial condition and results of operations.

In addition, because we are appointed as an agent for only 180 of the over 200 insurance companies quoted on our Web site, we do not have contractual authorization to publish information regarding the policies from insurance companies for whom we are not appointed. Several of these insurance companies have in the past demanded that we cease publishing their policy information and others may do so in the future. In some cases we have published information despite these demands. If we are required to stop publishing information regarding some of the insurance policies that we track in our database, it could harm us.

Risks Related to the Internet and Electronic Commerce

Any failures of, or capacity constraints in, our systems or the systems of third parties on which we rely could reduce or limit visitors to our Web site and harm our ability to generate revenue

We use both internally developed and third party systems to operate our service. If the number of users of our service increases substantially, we will need to significantly expand and upgrade our technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate or timing of any of these increases, or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner. Our ability to facilitate transactions successfully and provide high quality customer service also depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Our service has experienced periodic system interruptions, and it is likely that these interruptions will continue to occur from time to time. Additionally, our systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break ins, sabotage, computer viruses, acts of vandalism and similar events. We may not carry sufficient business interruption insurance to compensate for losses that could occur. Any system failure that causes an interruption in service or decreases the responsiveness of our service would impair our revenue generating capabilities, and could damage our reputation and our brand name.

Our success depends, in part, on our ability to protect our proprietary technology

We believe that our success depends, in part, on protecting our intellectual property. Other than our trademarks, most of our intellectual property consists of proprietary or confidential information that is not subject to patent or similar protection. Competitors may independently develop similar or superior products, software or business models.

We cannot guarantee that we will be able to protect our intellectual property. Unauthorized third parties may try to copy our products or business model or use our confidential information to develop competing products. Legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet related businesses are uncertain and still evolving. As a result, we cannot predict the future viability or value of our proprietary rights and those of other companies within the industry.

We may be subject to claims of infringement that may be costly to resolve and, if successful, could harm our business

Our business activities and products may infringe upon the proprietary rights of others. Parties may assert valid or invalid infringement claims against us. Any infringement claims and resulting litigation, should it occur, could subject us to significant liability for damages and could result in invalidation of our proprietary rights. Even if we eventually won, any resulting litigation could be time consuming and expensive to defend and could divert our management's attention.

If we are unable to adapt to the rapid technological change in our industry, we will not remain competitive and our business will suffer

Our market is characterized by rapidly changing technologies, frequent new product and service introductions, and evolving industry standards. The recent growth of the Internet and intense competition in our industry exacerbate these market characteristics. Our future success will depend on our ability to adapt to rapidly changing technologies by continually improving the features and reliability of our database and service. We may experience difficulties that could delay or prevent the successful introduction or marketing of new products and services. In addition, new enhancements must meet the requirements of our current and prospective customers and must achieve significant market acceptance. We could also incur substantial costs if we need to modify our service or infrastructures or adapt our technology to respond to these changes.

Demand for our services may be reduced if we are unable to safeguard the security and privacy of our customer's information

A significant barrier to electronic commerce and online communications has been the need for secure transmission of confidential information over the Internet. Our ability to secure the transmission of confidential information over the Internet is essential in maintaining consumer and insurance company confidence in our service. In addition, because we handle confidential and sensitive information about our customers, any security breaches would damage our reputation and could expose us to litigation and liability. We cannot guarantee that our systems will prevent security breaches.

Our business assumes the continued dependability of the Internet infrastructure

Our success will depend upon the development and maintenance of the Internet's infrastructure to cope with its significant growth and increased traffic. This will require a reliable network backbone with the necessary speed, data capacity and security, and the timely development of complementary products, such as high speed modems, for providing reliable Internet access and services. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure and could face outages and delays in the future. Outages and delays are likely to cause a loss of business by affecting the level of Internet usage and the processing of insurance quotes and applications requests made through our Web site. We are unlikely to make up for this loss of business.

Risks Related to the Ownership of Our Common Stock

Our stock could become delisted if we fail to meet the minimum financial requirements for continued listing on the Nasdaq SmallCap Market

In March 2001, the staff of the Nasdaq Stock Market, or Nasdaq, notified us that Quotesmith.com was not in compliance with one of its maintenance standards, requiring at least $5.0 million in value of public float over the previous 30 consecutive trading days, defined as total shares outstanding less any shares held by officers, directors, or beneficial owners of 10 percent or more. In March, Nasdaq gave us 90 calendar days to comply with this standard. Although we were in compliance with all other Nasdaq National Market maintenance requirements, we were unable to sustain a public float value in excess of $5.0 million for 30 consecutive trading days, making our shares ineligible for continued Nasdaq National Market listing. Effective the opening of business on July 20, 2001, our stock listing was transferred from the Nasdaq National Market to the Nasdaq SmallCap Market, retaining its existing symbol, QUOT.

The requirements for listing on the Nasdaq SmallCap Market include the following:

- either (a) net tangible assets of $2,000,000, (b) net income in two of the last three years of $500,000, or (c) a market capitalization of $35,000,000;
- a public float of 500,000 shares;
- a market value of public float of $1,000,000;
- a minimum bid price of $1.00 per share;
- two market makers;
- 300 round lot shareholders; and
- compliance with Nasdaq corporate governance rules.

We believe that the current per share price level of the common stock has reduced the effective marketability of our shares of common stock because of the reluctance of many leading brokerage firms to recommend low-priced stock to their clients. Certain investors view low-priced stock as speculative and unattractive, although certain other investors may be attracted to low-priced stock because of the greater trading volatility sometimes associated with such securities. In addition, a variety of brokerage house policies and practices tend to discourage individual brokers within those firms from dealing in low-priced stock. Such policies and practices pertain to the payment of brokers' commissions and to time-consuming procedures that function to make the handling of low-priced stocks unattractive to brokers from an economic standpoint.

In addition, because brokerage commissions on low-priced stock generally represent a higher percentage of the stock price than commissions on higher-priced stock, the current share price of the common stock can

result in individual stockholders paying transaction costs (commissions, markups or markdowns) that represent a higher percentage of their total share value than would be the case if the share price were substantially higher. This factor also may limit the willingness of institutions to purchase the common stock at its current low share price.

Because our common stock is not listed on the Nasdaq National Market, if the trading price of our common stock were to fall below $1.00 per share, trading in our common stock would also be subject to the requirements of certain rules promulgated under the Exchange Act which require additional disclosures by broker-dealers in connection with any trades involving a stock defined as a "penny stock" (generally, a non-Nasdaq equity security that has a market price of less than $5.00 per share, subject to certain exceptions). In such event, the additional burdens imposed upon broker-dealers to effect transactions in our common stock could further limit the market liquidity of our common stock and the ability of investors to trade our common stock.

There can be no assurance that we will continue to satisfy all of the listing requirements of the Nasdaq SmallCap Market. In the event that we do not qualify for listing on the Nasdaq SmallCap Market, sales of our common stock would likely be conducted only in the over-the-counter market or potentially in regional exchanges. This may have a negative impact on the liquidity and price of the common stock and investors may find it more difficult to purchase or dispose of, or to obtain accurate quotations as to the market value of, the common stock.

Our stock price may have wide fluctuations and Internet related stocks have been particularly volatile

The market price of our common stock has been highly volatile and subject to wide fluctuations. The Nasdaq stock market has experienced significant price and volume fluctuations and the market prices of securities of technology companies, particularly Internet related companies, have been highly volatile. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate fluctuations, could adversely affect the market price of our common stock. In addition, the market prices for stocks of Internet related and technology companies, particularly following an initial public offering, frequently reach levels that bear no relationship to the operating performance of such companies. These market prices generally are not sustainable and are subject to wide variations. If our common stock trades to unsustainably high levels, it likely will thereafter experience a material decline.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs, divert management's attention and resources, and harm our financial condition and results of operations.

Our charter documents and Delaware law contain provisions that may discourage takeover attempts, which could preclude our stockholders from receiving a change of control premium

Our certificate of incorporation and bylaws and Delaware law contain anti takeover provisions that could have the effect of delaying or preventing changes in control that a stockholder may consider favorable. The provisions in our charter documents include the following:

- we have a classified Board of Directors with three year staggered terms that will delay the ability of stockholders to change the membership on the Board of Directors;
- our Board of Directors has the ability to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action may be taken only at a special or regular meeting; and
- we have advance notice procedures that must be complied with by stockholders for them to nominate candidates to our Board of Directors.

Our preferred stock purchase rights could cause substantial dilution to any person or group who attempts to acquire a significant interest in Quotesmith.com without advance approval of our Board of Directors. The stock purchase agreement we have entered into with Zions requires us to amend our rights plan to exempt acquisitions of shares of our common stock by Zions from the operation of the rights plan. In addition, our executive officers have employment agreements that may entitle them to substantial payments in the event of a change of control. We have entered into amendments to our employment

agreements with Messrs. Bland and Thoms that exempt the issuance of stock to Zions from constituting a change of control under these employment agreements.

The foregoing could have the effect of delaying, deferring or preventing a change in control of Quotemsith.com, discourage bids for our common stock at a premium over the market price, or harm the market price of, and the voting and other rights of the holders of, our common stock. We also are subject to Delaware laws that could have similar effects. One of these laws prohibits us from engaging in a business combination with any significant stockholder for a period of three years from the date the person became a significant stockholder unless specific conditions are met.

Continued terrorist attacks or war could lead to further economic instability and adversely affect our stock price, operations, and profitability

The terrorist attacks that occurred in the United States on September 11, 2001 caused periodic major instability in the U.S. and other financial markets. Possible further acts of terrorism and current and future war risks could have a similar impact. The United States continues to take military action against terrorism and has recently taken military action in Iraq. Terrorist attacks and potential war in the Middle East may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may further contribute to economic instability. Any such attacks could, among other things, cause further instability in financial markets and could directly, or indirectly through reduced demand, negatively affect our facilities and operations or those of its customers or suppliers.

THE ANNUAL MEETING AND PROXY SOLICITATION

When and Where the Annual Meeting will be Held

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies by our management, at the direction of our Board of Directors, for use at the annual meeting of Quotesmith.com stockholders to be held on April 22, 2004 at 9:00 a.m., Chicago time, at our offices, located at 8205 S. Cass Avenue, Suite 102, Darien, Illinois 60561, and any adjournments thereof. This proxy statement and the enclosed Notice of Annual Meeting and form of proxy are first being sent to stockholders on or about **[ ]** 2004.

What will be Voted on

At the annual meeting, you will be asked to consider and vote on:

- a proposal to approve the issuance of 2,363,636 shares of our common stock to Zions for $13,000,000. The proceeds of the stock issuance, together with cash on hand and/or borrowings under a loan agreement we may enter into, will be used to acquire substantially all of the assets Life Quotes, Inc. and certain related real estate. Following the acquisitions, the assets of Life Quotes and the related real estate will be owned by Life Quotes Acquisition, Inc., our wholly-owned subsidiary;

- a proposal to approve the establishment of the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us;

a proposal to elect one person to our Board of Directors to serve until the 2007 Annual Meeting of Stockholders;

a proposal to ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2004; and

any other business as may properly come before the annual meeting or any adjournment thereof.

For the reasons set forth in more detail elsewhere in this proxy statement, our Board of Directors recommends a vote "FOR" the approval of each of the proposals set forth above.

Who may Vote at the Annual Meeting

The Board of Directors has fixed the close of business on March 23, 2004 as the record date for the annual meeting. Stockholders of record as of the record date are entitled to notice of and to vote at the annual meeting. If you own shares of Quotesmith.com common stock that are registered in someone else's name (for example, a nominee), you need to direct that person to vote those shares or obtain an authorization from them and vote the shares yourself at the meeting. A list of stockholders entitled to vote at the annual meeting will be available for inspection by stockholders for any purpose germane to the annual meeting at our offices for the ten days immediately preceding the annual meeting date. At the close of business on the record date, 4,958,232 shares of common stock were outstanding held by approximately **[ ]** stockholders of record. Each stockholder is entitled to one vote for each share of Quotesmith.com common stock held as of the record date on all matters to be considered at the annual meeting.

How to Vote

You may vote in person or by proxy. The proxy card accompanying this proxy statement is solicited on behalf of our Board of Directors for use at the annual meeting. You are urged to complete, sign and date the accompanying form of proxy and return it as soon as possible in the envelope provided for that purpose. Returning a proxy card does not prevent you from attending the annual meeting or from changing your vote. If the enclosed proxy is properly executed and returned in time for voting with a choice specified thereon, and not properly revoked, the shares represented thereby will be voted as indicated on such proxy. Executed but unmarked proxies will be voted by the person(s) named thereon (i) for the approval of the issuance of 2,363,636 shares of Quotesmith.com common stock to Zions in connection with the acquisition of substantially all of the assets of Life Quotes and the related real estate, (ii) for the approval of the establishment of the Life Quotes employee stock option plan, (iii) for the election of the nominee named herein as a director (or a substitute therefor if the nominee is unable or refuses to serve), (iv) for the ratification of Ernst & Young LLP as our independent auditors for 2004 and (v) in the discretion of such

person(s) upon such matters not presently known or determined that properly may come before the annual meeting. If you wish to designate a person or persons to act as your proxy at the annual meeting, other than the proxies designated by the Board of Directors, you may strike out the names appearing on the enclosed form of proxy, insert the name of any other such person or persons, sign the proxy and transmit it directly to such other designated person or persons for use at the annual meeting.

Our Board of Directors knows of no other matters that may be brought before the meeting. However, if any other matters are properly presented for action, it is the intention of the named proxies to vote on them according to their best judgment.

How to Change your Vote

You may revoke a proxy at any time before the meeting is convened by filing with the secretary of Quotesmith.com an instrument of revocation or a duly executed proxy bearing a later date. You may also revoke a proxy by attending the annual meeting and voting in person, although attendance at the annual meeting will not, in and of itself, constitute a revocation of a proxy.

Quorum and Vote Required

Under our certificate of incorporation and by-laws and under Delaware law, a vote of stockholders is not required to approve the issuance of shares of our common stock to Zions in connection with the acquisition of substantially all of the assets of Life Quotes and the related real estate. However, because the number of shares we will be issuing to Zions exceeds 20% of our common stock outstanding prior to the issuance, stockholder approval is required under the rules of the Nasdaq SmallCap Market. Similarly, although a vote of stockholders is not required to approve the establishment of the Life Quotes employee stock option plan under our certificate of incorporation or by-laws or under Delaware Law, stockholder approval is required under the rules of the Nasdaq SmallCap Market.

Stockholders do not have the right to cumulate their votes in the election of directors. A majority of the shares entitled to vote at and present, in person or by proxy, at the annual meeting will constitute a quorum. If a quorum is present, the affirmative vote of a majority of the shares that are present, in person or by proxy, at the annual meeting and entitled to vote will be sufficient to approve the stock issuance to Zions and the establishment of the Life Quotes employee stock option plan. The affirmative vote of a plurality of such shares will be sufficient to elect a director. The affirmative vote of a majority of such shares will be sufficient to ratify the appointment of the independent auditors.

The holders of over 60% of our common stock outstanding prior to the acquisition have indicated to us that they plan to vote in favor of (i) the proposal to issue 2,363,636 shares of our common stock to Zions, (ii) the proposal to establish the Life Quotes employee stock option plan, (iii) the proposal to elect the nominee named herein as a director and (iv) the ratification of Ernst & Young LLP as our independent auditors for 2004.

Abstentions and Broker Non-Votes

Abstentions and broker non-votes will be treated as present at the annual meeting for purposes of reaching a quorum. Abstentions shall have no effect on the election of a director but shall be treated as a vote against the approval of the stock issuance to Zions, the establishment of the Life Quotes employee stock option plan and the ratification of the independent auditors. Broker non-votes will have no effect on the outcome of the vote on any of the proposals.

Solicitation of Proxies and Expenses of Solicitation

The cost of soliciting proxies will be borne by Quotesmith.com. In addition to solicitation by mail, our directors, officers and employees may solicit proxies in person or by telephone. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting materials to the beneficial owners of shares of Quotesmith.com common stock and will be reimbursed by us for their reasonable expenses in forwarding such materials.

Appraisal Rights

Stockholders who do not vote in favor of the proposals described in this proxy statement will not be entitled to dissenter's or appraisal rights. Accordingly, we will not make special provisions for stockholders to enforce such rights.

MARKET PRICE INFORMATION

All common stock and per share information in this proxy statement have been retroactively adjusted to reflect a one-for-three reverse stock split that became effective on March 7, 2001.

Market Information. Our common stock began trading on the Nasdaq National Market under the symbol "QUOT" on August 3, 1999, the date of our initial public offering. Prior to this date, no established public trading market for our common equity existed. Effective the opening of business on July 20, 2001, our stock listing was transferred from the Nasdaq National Market to the Nasdaq SmallCap Market, retaining its existing symbol, QUOT. The last sale price of our common stock on March 2, 2004, the last day prior to the public announcement of the stock purchase agreement and the asset purchase agreement, was $5.30, which is the average of the bid and asked prices of Quotesmith.com, Inc. common stock, as reported on the Nasdaq SmallCap Market on March 2, 2004. The last sale price of our common stock on March **[?]**, 2004, the last practicable date for which results were available for inclusion in this proxy statement, was **$[?]**, which is the average of the bid and asked prices of Quotesmith.com, Inc. common stock, as reported on the Nasdaq SmallCap Market on **[?]**, 2004. As of March **[?]**, 2004 the approximate number of record holders of our common stock was **[?]**. The following table sets forth, for the period indicated, the high and low last sale price (as adjusted for a one-for-three reverse stock split effective March 7, 2001) of our common stock as reported on the Nasdaq National Market and the Nasdaq SmallCap Market, as applicable.

	High	Low

	High		Low	
2003:				
First quarter	$	4.60	$	3.46
Second quarter		5.12		3.55
Third quarter		6.00		4.01
Fourth quarter		4.92		3.84
2002:				
First quarter	$	3.20	$	2.00
Second quarter		3.08		2.60
Third quarter		2.85		2.38
Fourth quarter		4.23		2.41

Dividends. We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. The investor rights agreement prohibits us from paying cash dividends on our common stock unless certain conditions are met. We currently intend to retain all future earnings to finance the growth and development of our business. Any future determination as to the payment of dividends will be made by our Board of Directors and will depend on our results of operations, financial condition, capital requirements, and any other factors our Board of Directors considers relevant, including the restrictions contained in the investor rights agreement.

Use of Initial Public Offering Proceeds. On August 3, 1999, our registration statement on Form S-1 (File No. 333-79355), relating to the initial public offering of our common stock, was declared effective by the Securities and Exchange Commission. After payment of underwriting discounts and expenses of approximately $5.3 million, we received net proceeds of approximately $57.5 million from the offering. During the fiscal year ended December 31, 2003, we used approximately $770,000 of the proceeds of the initial public offering for operating activities and approximately $65,000 for the purchase of fixed assets.

PROPOSAL 1. APPROVAL OF STOCK ISSUANCE TO ZIONS BANCORPORATION

We plan to finance the majority of the purchase price for the acquisition of substantially all of the assets Life Quotes and the related real estate by selling 2,363,636 shares of our common stock, par value $0.003 per share, in a private placement to Zions Bancorporation, or Zions, for an aggregate price of $13,000,000, or approximately $5.50 per share. We plan to finance the remainder of the purchase price for the acquisitions through cash on hand and/or borrowings under a loan agreement we may enter into.

The acquisition of the Life Quotes business will be accounted for under the purchase method of accounting (purchase accounting) with Quotesmith.com as the acquiring entity. Accordingly, under purchase accounting, the assets and liabilities of Life Quotes are adjusted to their fair value as of the date of the acquisition. Any excess of the purchase price over the fair value of the assets acquired is recorded as goodwill. For tax purposes, we assume that we will be able to deduct the value of any intangible assets and goodwill as provided in the Internal Revenue Code of 1986, as amended. We believe that there are no material federal or state regulatory requirements or approvals necessary to consummate the stock issuance or the acquisition of substantially all of the assets of Life Quotes and the related real estate. We believe we have the appropriate licenses to sell insurance in all fifty states.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE STOCK ISSUANCE TO ZIONS.

Background of the Transactions

During 2002 and 2003, Kenneth L. Manley, the Chief Executive Officer and sole stockholder of Life Quotes, and Robert L. Bland, our Chairman of the Board, President and Chief Executive Officer, had general, exploratory conversations regarding the possibility of Quotesmith.com acquiring the business of Life Quotes. In July 2003, Mr. Bland and Mr. Manley had a series of specific conversations about Quotesmith.com acquiring the business of Life Quotes. During July 2003, Phillip Perillo, our Chief Financial Officer, conducted a preliminary financial due diligence investigation of Life Quotes. In July 2003, we sent a draft asset purchase agreement to Mr. Manley, pursuant to which we would pay the purchase price in a combination of cash and stock. In August 2003, we sent to Life Quotes and their counsel, John Meck of Welborn, Sullivan, Meck & Tooley, P.C., a revised draft of a purchase agreement, this version reflecting the possibility of acquiring the stock of Life Quotes. During August 2003, we had discussions with a number of banks regarding their possible acquisition of our common stock in exchange for a cash infusion. On October 23, 2003, at a regularly scheduled meeting of our Board of Directors, the status of negotiations with Mr. Manley and possible funding sources was discussed. On October 27, 2003, Mr. Bland and Mr. Manley met and agreed to the terms of a proposed transaction, whereby we would acquire substantially all of the assets and related real estate of Life Quotes. In November 2003, we entered into a marketing agreement with Life Quotes under which we would provide them with term life insurance leads in exchange for a share of the profits of any sales made. In early November 2003, we reached tentative agreement with Zions to sell $13,000,000 of our common stock to them, subject to documentation, and therefore changed our offer to Life Quotes to be an all cash offer for substantially all of the assets and real estate of Life Quotes. On November 20, 2003, we delivered a revised asset purchase agreement to Life Quotes which incorporated those terms.

In December 2003, we hired Mystic Capital Advisors Group, LLC, or Mystic Capital, to assist us in evaluating the fairness of the acquisition of Life Quotes and in our due diligence efforts. On December 22, 2003, we received the first draft of an investor rights agreement and stock purchase agreement from Zions' counsel. Late in December 2003, Life Quotes and its counsel proposed signing a letter of intent. We rejected this suggestion and instead suggested that we concentrate our efforts on negotiating the draft asset purchase agreement. We received Mr. Meck's first comments on the asset purchase agreement on December 29, 2003. Messrs. Perillo, Bland, Meck and Manley, together with David Kaufman (a partner at Duane Morris LLP), met at Mr. Meck's offices in Denver, Colorado on January 9, 2004, to further negotiate the asset purchase agreement and related documents. With our legal advisors, we continued negotiating with Mr. Meck on the asset purchase agreement, real property purchase agreement and related documents. We, with our legal advisors, negotiated the terms of the stock purchase and investor rights agreement with Zions and their counsel. We and our advisors continued our legal, financial and business due diligence of Life Quotes during the months of January and February 2004.

On January 29, 2004, we held a regularly scheduled meeting of our Board of Directors where the status of negotiations with Life Quotes and Zions was reviewed. At the meeting, Mystic Capital reviewed the fairness of the Life Quotes transaction from a financial point of view. They provided their oral opinion, which was subsequently confirmed in writing as of February 27, 2004, that based on and subject to the assumptions, qualifications and limitations contained in the opinion, the transactions contemplated by the asset purchase agreement and real property purchase agreement was fair to our stockholders from a financial point of view. Our Board of Directors also reviewed the potential stock sale to Zions. Mr. Kaufman reviewed the terms and conditions of the stock issuance to Zions, the acquisition of substantially all of the assets of Life Quotes and the related real estate and the related documentation. Our Board of Directors then reviewed and discussed the terms of the proposed transactions. Our Board of Directors unanimously adopted a resolution approving and adopting the stock issuance, the acquisition and the related transactions contemplated thereby and voted to recommend approval of the stock issuance to our stockholders, subject to final documentation. During the month of February, the parties continued to negotiate the terms of the asset purchase agreement, real property purchase agreement, stock purchase agreement, investor rights agreement and other related documentation. We continued to perform due diligence investigations of Life Quotes with Mystic Capital and Duane Morris LLP. Life Quotes also prepared financial statements.

After the close of business on March 1, 2004, the parties executed and delivered the asset purchase agreement, the real property purchase agreement, the stock purchase agreement and the investor rights agreement. Prior to the opening of business on March 3, 2004, the transactions were publicly announced.

Reasons for the Transactions

We are proposing to acquire substantially all of the assets of Life Quotes, a domestic insurance agency operating in all 50 states, together with certain real estate owned by an affiliate of the sole stockholder of Life Quotes. We intend to fund this acquisition through the issuance of 2,363,636 shares of our common stock to Zions resulting in $13,000,000 in gross proceeds. The proceeds of this stock issuance, together with cash on hand and/or borrowings under a loan agreement we may enter into, will be used to acquire the assets Life Quotes and the related real estate. Following the acquisition, the assets of Life Quotes and the related real estate will be owned by a wholly-owned subsidiary of Quotesmith.com.

We entered into a stock purchase agreement with Zions on March 1, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for $13,000,000 in proceeds. The common stock to be issued to Zions will not be registered, and will be restricted following the stock issuance. In connection with the issuance of stock to Zions, we have entered into an investor rights agreement with Zions whereby we have agreed, among other things, to increase the size of our Board of Directors by one member and to appoint an individual designated by Zions to fill the newly created vacancy.

We have also entered into an asset purchase agreement with Life Quotes and a real property purchase agreement with an affiliate of the sole stockholder of Life Quotes dated as of January 31, 2004 (signed March 1, 2004). Under the terms of the asset purchase agreement, we have agreed to acquire substantially all of the assets of Life Quotes, and assume certain specified liabilities, for a payment of $13,395,000, subject to adjustment. Under the terms of the real property purchase agreement, we have agreed to acquire the real property currently used by Life Quotes for a payment of $5,000,000, subject to customary prorations at closing. We will use the proceeds of the stock issuance to Zions, together with cash on hand and/or borrowings under a loan agreement we may enter into, to consummate these acquisitions.

In connection with the acquisition of the assets of Life Quotes, we have agreed to establish the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain employees of Life Quotes who agree to work for us.

At its January 29, 2004 meeting, the Board of Directors determined that the stock issuance and asset acquisition are each in our best interest and the best interest of our stockholders and unanimously resolved to recommend to our stockholders to vote in favor of the stock issuance.

In making its determination with respect to stock issuance and asset acquisition, the Board considered a number of potential benefits, including those listed below:

The stock issuance will provide virtually all of funds necessary to enable us to acquire substantially all of the assets of Life Quotes.

Selling 2,363,636 shares of common stock at $5.50 a share was at a price above the market price of the shares of common stock when the business terms were reached.

The cash consideration to be paid for the assets of Life Quotes represents an attractive price.

Mystic Capital Advisors Group LLC presented its opinion to the Board of Directors that based upon and subject to the assumptions, qualifications and limitations contained in the opinion, the consideration to be paid for the assets and related real estate is fair, from a financial point of view, to our stockholders. In conjunction with delivering its opinion, Mystic Capital made a presentation to the Board of Directors as to various financial and other matters underlying such opinion. See "Opinion of Quotesmith.com's Financial Advisor" for a description of the presentation to the Board of Directors.

We have substantially completed our due diligence investigation of Life Quotes.

The acquisition of Life Quotes is a strategic move on our part to better penetrate the market of life insurance buyers. Our existing web site provides such buyers with an efficient way of searching our data base of life insurance products, selecting an appropriate policy and applying for that policy while online. However, we feel that there are many other customers who need to speak with a licensed sales agent before buying. The acquisition of Life Quotes provides us with an experienced team of telephone-based licensed sales representatives who can fill that need for us.

The issuance of shares to Zions not only provides financing for the acquisition, it brings us a strong financial partner with experience in electronic commerce. Zions is also a business partner, as we currently provide an insurance center as a part of Zions' online banking facilities.

The Board of Directors also identified and considered several potentially negative factors relating to the stock issuance and asset acquisition, which are set forth below:

The closing of the asset acquisition and stock issuance are subject to a number of conditions including accuracy of representations and warranties we and Life Quotes have made.

We have agreed to certain operating restrictions in our business in the investor rights agreement.

We have agreed to appoint a Zions designee to our Board.

We have granted Zions certain preemptive and registration rights.

The Board of Directors concluded that the potentially negative factors were outweighed by the potential benefits to be gained by the stock issuance and asset acquisition. The members of the Board of Directors evaluated all of the factors described above in view of their knowledge of the business and operation of Life Quotes and their business judgment. In light of the wide variety of factors considered in connection with its evaluation of the stock issuance and asset acquisition, the Board of Directors did not find it practicable to, and did not, quantity or otherwise assign relative weights to the specific factors considered in reaching its determination. In addition, individual members of the Board of Directors may have given different weights to different factors.

Opinion of Quotesmith.com's Financial Advisor

We engaged Mystic Capital to act as our financial advisor in connection with our Board of Directors' evaluation of the acquisition of substantially all of the assets of Life Quotes and the related real estate. Mystic Capital agreed to assist us in analyzing our acquisition of the Life Quotes business. Mystic Capital was also engaged to render a written opinion to our Board of Directors as to the fairness, from a financial point of view, of the consideration to be paid by us in connection with the acquisition. In requesting Mystic Capital's advice and opinion, no restrictions or limitations were imposed by us upon Mystic Capital with respect to the investigations made or the procedures followed by Mystic Capital in rendering its opinion.

On January 29, 2004, Mystic Capital reviewed the financial aspects of the proposed acquisition and delivered its opinion, or the Mystic Capital Opinion, to our Board of Directors to the effect that, as of that date, and based upon and subject to the assumptions, limitations and qualifications set forth in the opinion, the consideration to be paid by us pursuant to the asset purchase agreement and the real property purchase agreement was fair to our stockholders from a financial point of view.

The full text of the Mystic Capital Opinion, which describes, among other things, the assumptions made, matters considered, and the limitations on the review undertaken, is attached to this proxy statement as

---

Annex A-1 and is incorporated in this proxy statement by reference. The description of the Mystic Capital Opinion set forth below is qualified in its entirety by reference to the full text of the Mystic Capital Opinion in **Annex A-1**. You should read the Mystic Capital Opinion carefully and in its entirety.

The Mystic Capital Opinion is directed only to the fairness, from a financial point of view, of the consideration to be paid pursuant to the asset purchase agreement and the real property purchase agreement by us. Further, the Mystic Capital Opinion is not a recommendation to any stockholder as to how he or she should vote at our annual meeting. Mystic Capital was not retained as an advisor or agent to our stockholders or any other person, and it is acting only as an advisor to our Board of Directors.

Mystic Capital is a national investment banking firm. As part of its investment banking business, Mystic Capital is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, sales and distributions of securities, private placements and valuations for estate, corporate and other purposes. Mystic Capital was selected by us to act as our financial advisor because of Mystic Capital's expertise in valuing and advising firms in the financial and insurance industry in merger and acquisition transactions.

Description of the Transaction

As part of the acquisition, Life Quotes will sell, transfer, convey and deliver to us certain assets of Life Quotes as well as a building and land owned by the Kenneth L. Manley Revocable Trust, an affiliate of the sole stockholder of Life Quotes. In consideration for the sale and transfer of these assets to us, Kenneth L. Manley (as the sole stockholder of Life Quotes), Life Quotes and the Kenneth L. Manley Revocable Trust will receive a pro rata portion of the total consideration, as hereinafter defined, based upon their respective ownership in the assets conveyed. Total consideration to be paid the sellers is $18,395,000 and is equal to the sum of the following:

$13,395,0000 will be paid for the acquired assets and certain assumed liabilities of Life Quotes, of which $350,000 will deposited in an escrow account for a period of twelve months, and

$5,000,000, will be paid under the terms set forth in the real property purchase agreement for the building and land on which Life Quotes operates.

The total consideration to be paid the sellers in connection with the acquisition was determined by us, and Mystic Capital evaluated the amount of consideration as determined by us.

Professional Undertaking

In arriving at its opinion, Mystic Capital, among other things:

- Reviewed documents including, but not limited to, the following:
  - Responses to a standard questionnaire which provided information related to the history and overview of Life Quotes, its ownership and personnel and its book of business and markets;
  - Financial statements for Life Quotes for the fiscal years ending December 31, 1999 through December 31, 2003;
  - The Asset Purchase Agreement, dated as of January 31, 2004 (signed March 1, 2004), by and among us, Life Quotes Acquisition, Inc., Kenneth L. Manley and Life Quotes, Inc.;
- Reviewed Life Quotes' history, current business status, and future prospects;
- Investigated Life Quotes' business, its competition, and its industry;
- Reviewed financial data and other information supplied to it by Life Quotes and obtained from other sources;
- Interviewed management personnel of Life Quotes to become generally familiar with the management team, management systems and procedures and business status, and undertook other activities to permit it to assess the risks associated with an investment in Life Quotes;

- Held discussions with members of Life Quotes' management regarding past and current business operations, financial condition, results of regulatory examinations and the business and future prospects of Life Quotes;
- Compared the results of operations, market value, valuation multiples and reported financial condition of Life Quotes with similar information for certain other publicly traded companies which it deemed to be relevant;
- Compared the proposed financial terms of the acquisition with the financial terms of certain other mergers and acquisitions of insurance agencies which it deemed to be relevant;
- Took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and knowledge of the insurance industry generally;
- Spoke with us and our counsel to discuss the progress of the transaction, the progress of its analyses and issues related to the transaction;

Conducted other studies, analyses and investigations, and considered other information, that it deemed appropriate; and

Evaluated the consideration to be paid to the sellers, including all conditions imposed as a condition to receipt of such consideration, under the asset purchase agreement and the real property purchase agreement.

Comparable Public Company Analysis

Mystic Capital tracks six publicly traded insurance brokers: Arthur J. Gallagher & Co. (NYSE: AJG), Brown & Brown (NYSE: BRO), Hilb, Rogal & Hobbs (NYSE: HRH), Hub International, Inc. (NYSE: HBG), USI Holdings Corporation (NASDAQ: USIH), and Willis Group Holdings, Ltd. (NYSE: WSH).

The table below displays the market capitalization and adjusted market value metrics for these six insurance brokers. The adjusted market value is equal to the diluted market capitalization minus (plus) the tangible net worth (deficit) shown on the broker's balance sheet as of December 31, 2003. Mystic Capital believes that this adjusted market value provides a more comparable metric for assessing the acquisition of the Life Quotes business than market capitalization.

Valuation Metrics of Public Insurance Brokers(1)

Metric	Low	Mean	Median	High
Diluted Market Capitalization/ Revenues	1.74	2.71	2.43	4.64
Diluted Market Capitalization/EBITA	8.40	10.17	9.98	13.04
Adjusted Market Value/Revenues	1.90	2.74	2.73	4.59
Adjusted Market Value/EBITA	8.49	10.31	10.32	12.90

The table below compares the mean of the indicated metrics for the publicly traded insurance brokers to the proposed Life Quotes transaction.

Metric	Industry Mean	Life Quotes Pro Forma
Deal Value/Revenues	2.71	1.30
Deal Value/EBITA	10.17	8.33
Adjusted Market Value/Revenues	2.73	1.00
Adjusted Market Value/EBITA	10.31	6.36

Comparable Transaction Analysis

Due to the micro-cap nature of most of the insurance brokerage sector, very few comparable transactions are announced on an annual basis. Of those that are announced, very few buyers announce the details of the transaction and the financial condition of the seller at the time of closing. Of the comparable transactions that are announced, the typical transaction information released is price and revenues. Since

income statement information is generally not released it is difficult to gauge true financial performance multiples. The table below displays the price/revenue value of the five insurance broker transactions announced during 2003 that involved operations with $5 to $15 million in annual revenue. The source of this information is SNL Financial.

(1) Fourth Quarter, 2003 Insurance Broker Report. Mystic Capital Advisors Group, LLC. February 23, 2004.

Buyer	Seller	Date	Price/Revenue
American Independence Corp.	Vorhees Risk Management	1/1/03	2.45
USI Holdings	Hastings, Tapley Insurance Agency	5/15/03	1.26
F.N.B. Corp.	Lupfer Frakes	12/31/03	1.56
Old National	Insurance & Risk Management	7/8/03	1.94
BancorpSouth	Ramsey, Krug, Farrell & Lensing	12/31/03	2.16
		Low	1.26
		Mean	1.87
		Median	1.94
		High	2.45
		Life Quotes Transaction	1.30

Opinion of Mystic Capital Advisors

In rendering its opinion, Mystic Capital assumed and relied upon the accuracy, completeness and fairness of all of the financial and other information that was available to it from public sources, that was provided to it by us and Life Quotes or their representatives, or that was otherwise reviewed by it. Mystic Capital did not attempt or assume any responsibility to independently verify any of the information reviewed by it. Mystic Capital did not review any individual policyholder files.

Mystic Capital was not requested to make, and has not made, an independent evaluation or appraisal of the real property nor of the sellers' assets or liabilities (contingent or otherwise) or other data related to the physical condition of the real property. A third party real estate appraiser was retained by us to perform an appraisal on the subject property during February 2004. While Mystic Capital has retained a copy of the executive summary provided in conjunction with the appraisal report, Mystic Capital makes no representation as to the qualifications of the appraiser and does not provide an opinion as to the accuracy of the report.

The Mystic Capital Opinion was just one of the many factors taken into consideration by our Board of Directors in determining to approve the acquisition of the Life Quotes business. See " Reasons for the Transactions." The Mystic Capital Opinion does not address the relative merits of the acquisition as compared to any alternative business strategies that might exist for us, nor does it address the effect of any other business combination in which we might engage. The Mystic Capital Opinion was not an expression of an opinion as to the prices at which our shares of common stock would trade following the announcement of the acquisition.

In connection with rendering its opinion, Mystic Capital performed a variety of financial analyses. The following is a summary of the material analyses presented to our Board of Directors at its January 29, 2004 meeting. The summary set forth below does not purport to be a complete description of the analyses performed by Mystic Capital, but describes, in summary form, the principal elements of the presentation made by Mystic Capital to our Board of Directors on January 29, 2004. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Therefore, such an opinion is not readily susceptible to summary description. Each of the analyses conducted by Mystic Capital was carried out in order to provide a different perspective on the transaction and add to the total mix of information available. Mystic Capital did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to fairness from a financial point of view. Rather, in reaching its conclusion, Mystic Capital considered the results of the analyses in light of each other and ultimately reached its opinion based on the results of all analyses taken as a whole. Mystic Capital did not place particular reliance or weight on any individual analysis, but instead concluded that its analyses, taken

as a whole, supported its determination. Accordingly, notwithstanding the separate factors summarized below, Mystic Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete or misleading view of the evaluation process underlying its opinion.

In performing its analyses, Mystic Capital made numerous assumptions with respect to industry performance, general business, economic and market conditions and other matters, many of which are beyond our control and the control of Life Quotes. The projections and other information used in the analyses performed by Mystic Capital are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the projections and other information used in the analyses, and the results of such analyses.

Mystic Capital valued Life Quotes using three different valuation methodologies. The first two methods are commonly used to value business enterprises and include the price/earnings method and the capitalization of earnings method. A third method, which was developed specifically for valuing insurance agencies, was also used and is referred to as the combination method.

In addition, a fourth valuation methodology, a Net Present Value Analysis, or NPV, was performed to confirm the results obtained pursuant to the three methodologies described aboves. The NPV was not used to determine the midpoint value, but rather as a comparative valuation method.

The price/earnings method of valuation attempts to determine the value of an agency's book of business, as of the date of valuation, by multiplying sustainable, pre-tax profits by an average price/earnings ratio of comparable publicly held insurance brokers. The theory is that public brokers calculate what a potential acquisition may be worth to them based on this kind of analysis. This average P/E ratio is then usually discounted (rarely given a premium), as public brokers will normally not tolerate any potential dilution in their firm's stock values. This discount represents the degree of relative risk that a particular firm adds to the equation over and above the broker's own day-to-day risk of doing business.

The straight capitalization of earnings before taxes method of valuation divides pro forma, pre-tax income by a rate of return requirement composed of an investor's "risk free" rate (that one could reasonably expect from such safe investments as U.S. Government Bonds) and an additional risk-adjusted rate of return for investing in the retail insurance industry, and specifically in Life Quotes, as compared to alternatives.

The combination method of valuation rests on the basic premise of professional valuations for investors in agencies of this size, be they internal or external, where the option to buy a firm needs to be justified on an investment return within 5.0 to 7.0 years based upon comparable sized acquisitions in the same geographic territory. This method uses inherent risk in order to determine where, within this range, a particular agency is valued based upon a multiple of pro forma earnings.

The Mystic Capital Opinion is based on business, economic, market, and other conditions as they existed on December 31, 2003, to the extent it was able to analyze such conditions. Based upon Mystic Capital's investigation and analysis, and subject to the foregoing qualifications, assumptions, and limitations, it is Mystic Capital's opinion as of December 31, 2003, that the acquisition and consideration to be paid by us is fair from a financial point of view to our stockholders. In rendering this opinion, Mystic Capital analyzed the amount to be paid to the sellers and the terms of such payments relative to a valuation of assets to be received by us.

Fees

Pursuant to the terms of an engagement letter dated as of October 22, 2003 between us and Mystic Capital, we have paid Mystic Capital a cash fee of $12,000. Additionally, Mystic Capital earned $25,000 in conjunction with certain due diligence procedures that were performed in connection with the acquisition. We have also agreed to reimburse Mystic Capital for reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Mystic Capital and certain related persons against certain liabilities in connection with its engagement, including liabilities under the federal securities laws. The terms of the fee arrangement with Mystic Capital, which we and Mystic Capital believe are customary in transactions of this nature, were negotiated at arm's length between us and Mystic Capital, and our Board of Directors was aware of such arrangement.

THE ASSET PURCHASE AGREEMENT

The following is a discussion of the material terms of the asset purchase agreement. The full text of the asset purchase agreement is attached as **Annex A-2** hereto and is included as part of this proxy statement. You are encouraged to read the entire asset purchase agreement carefully.

Assets To Be Acquired

The asset purchase agreement provides that we will purchase, free and clear of all liens, all right, title and interest in and to substantially all of the assets of Life Quotes, including the following assets:

Tangible and intangible personal property used in the conduct of the Life Quotes business, including all furniture, fixtures, equipment, machinery, office supplies, business forms and policy statements, brochures and other marketing materials and other tangible personal property used or held for use in the conduct of Life Quotes' business;

Certain leased personal property used in Life Quotes' business;

All intellectual property used or held for use in the operation of Life Quotes' business (including Life Quotes' goodwill therein) and all rights, privileges, claims, causes of actions and options relating or pertaining to the Life Quotes' business or assets, including the name "Life Quotes," any websites, domain names (including, "*www.lifequotes.com*"), and Life Quotes' books and records;

Certain assumed contracts;

Prepaid expenses related to Life Quotes' assets;

Licenses, permits, franchises, and similar consents granted by governmental or regulatory authorities;

All rights to receive payments arising out of the conduct of Life Quotes' business comprised of deferred and unpaid first year commissions on life insurance policies, and all other trade accounts receivable, notes and other indebtedness due or owed to Life Quotes and arising out of the conduct of Life Quotes' business;

Work-in-process, including pending life insurance policies and applications;

Rights to receive renewal payments, service fees and renewal policy fee bonuses from in-force life insurance policies; and

Goodwill of the Life Quotes business.

We will not acquire, and Life Quotes will not transfer to us certain specified assets, including certain artwork and cash on hand.

Income and revenues from Life Quotes' business will be allocated such that amounts earned prior to the effective date of the acquisition, January 31, 2004, will be allocated to Life Quotes, and amounts earned after the effective date will be allocated to us. For example, commissions paid on an insurance carrier's commission statements covering the period prior to the effective date belong to Life Quotes, even if payment is received after the effective date, and commissions paid on an insurance carrier's commission statements covering the period after the effective date belong to us regardless of when payment is actually received. Similarly, costs and expenses of Life Quotes' business will be allocated such that costs and expenses incurred prior to the effective date will be allocated to Life Quotes, and costs and expenses incurred after the effective date will be allocated to us. For example, expenses for advertising that is aired or run prior to the effective date will be borne by Life Quotes regardless of the date of the vendor's invoice or when payment is made, and expenses for advertising that is aired or run after the effective date will be borne by us regardless of the date of the vendor's invoice or when payment is made. In each case, amounts relating to periods that overlap the effective date will be pro rated based on the number of days in such period before and after the effective date. On the closing date, we or Life Quotes, as applicable, will make a payment to the other for a settlement of this allocation of income, revenue, costs, and expenses during the period between the effective date and the closing date.

Assumed Liabilities

As partial consideration for the assets purchased, we will assume as of the effective date, but subject to the closing, the following liabilities of Life Quotes:

- The obligations of Life Quotes under the under certain contracts and licenses arising and to be performed on or after the effective date;
- The obligations of Life Quotes with respect to certain accounts payable; and
- Certain other specified liabilities of Life Quotes.

We will not assume any other liabilities of Life Quotes. In particular, we will not assume:

- Any liabilities related to assets of Life Quotes we are not purchasing, such as liabilities related to any trade creditors, payroll or payroll tax liabilities, payments due to any current or former employee of the Company for amounts due under any benefit plan, bonus plan or incentive arrangement, income tax liabilities, severance liabilities to any current or former employees of Life Quotes, or liabilities with respect to any vacation pay or 401(a) contribution of such employees;
- Any environmental or product liability claims arising out of or relating to the past, present or future operations of Life Quotes or with respect to contamination of the real property we are purchasing under the real property purchase agreement that occurred prior to the closing date;
- Any contractual obligations or liabilities relating to Life Quotes existing facilities;
- Any liability of Life Quotes for taxes, costs and expenses incurred in connection with the asset purchase agreement;
- Any liability of Life Quotes under any "bulk sales" or similar law or statute relating to the transfer of the assets under the asset purchase agreement; or
- Any liability for taxes imposed on Life Quotes or Kenneth L. Manley at any time, or attributable to the operation of Life Quotes' business prior to the effective date.

Purchase Price

We will acquire substantially all of the assets of Life Quotes in exchange for the assumption of certain Life Quotes liabilities and payment of $13,395,000 in cash. Of such cash, at closing, $13,045,000 will be paid to Life Quotes and $350,000 will be deposited with an escrow agent in accordance with an escrow agreement. Under such escrow agreement, within thirty days after the one year anniversary of the closing date, we will deliver to Life Quotes a statement stating the amount of accounts receivable arising out of the conduct of Life Quotes' business that we collected in such one year period. If such amount of accounts receivable exceeds $2,450,000, then the entire $350,000 placed in escrow will be paid to Life Quotes. However, if the amount of accounts receivable is less than $2,450,000, then the difference will be paid to us from the escrowed cash, and the remainder will be paid to Life Quotes. If the shortfall exceeds $350,000, we will be paid the entire escrowed amount but will not be able to recover any additional sums from Life Quotes or Kenneth L. Manley.

Closing

The acquisition will close on a date to be designated by us and Life Quotes after the satisfaction or waiver of the conditions described below, but no later than April 1, 2004, unless another time or date is agreed to by the parties. We may extend the closing date to no later than August 1, 2004, but will be required to pay Life Quotes interest on $18,395,000 at the rate of 4.5% per annum for the period from April 1, 2004 to the date the closing occurs, and will also be required to pay Life Quotes $5,000 per week for the services of Kenneth L. Manley for the period from April 1, 2004 to the date the closing occurs. If the closing has not occurred by April 1, 2004 (or August 1, 2004, if we extend the closing date), then the agreement will terminate, subject to the survival of certain of the rights and obligations discussed below.

Representations And Warranties

The asset purchase agreement contains customary representations and warranties by Life Quotes and Kenneth L. Manley to us regarding aspects of Life Quotes' assets, business, and financial condition, including as to the following:

The due incorporation, validly existence and good standing of Life Quotes and the requisite power of Life Quotes to carry on its business as it is now being conducted and to own or lease the assets we are acquiring;

The authorization, execution, delivery, and performance by Life Quotes, and the enforceability against Life Quotes, of the asset purchase agreement, and that upon payment we will acquire good title to the assets we are purchasing;

The absence of conflicts between the asset purchase agreement and applicable law or Life Quotes' contracts or licenses;

The disclosure of all consents, approvals or actions of, filings with, or notices to, any governmental or regulatory authority and the delivery to us of all such authorizations, consents or similar approvals required for purchase of the Life Quotes assets;

Life Quotes' control over all of its books and records, forms and policy statements;

The financial statements provided to us, including that such financial statements were prepared from Life Quotes' books and records in accordance with generally accepted accounting principles, are materially complete and accurate and present fairly Life Quotes' financial condition and results of operations;

The absence, since December 31, 2003, of a material adverse change in, and of any event or development which could (individually or with other events or conditions) result in a material adverse change in, the condition of Life Quotes, its business, or the assets being acquired;

The absence of any undisclosed liabilities of Life Quotes, except for those incurred in the ordinary course of business consistent with past practice and not material in the aggregate;

Tax matters, including that Life Quotes has paid all taxes related to its business and the assets being acquired, that all amounts required to be withheld by Life Quotes have been so withheld and either paid to taxing authorities or set aside for such purpose, and that there are no tax-related liens;

The absence of certain legal proceedings pending or threatened against Life Quotes or Kenneth L. Manley relating to the Life Quotes business or its assets or properties, any events or circumstances that could reasonably be expected to give rise to such legal proceedings, or any orders outstanding against Life Quotes or Kenneth L. Manley with respect to the assets being acquired or the Life Quotes business;

The compliance by Life Quotes and Kenneth L. Manley with applicable laws and orders;

Matters related to Life Quotes' benefits plans and compliance with ERISA;

Ownership of the property we are acquiring under the real property purchase agreement;

Title to (or valid leasehold interests in or contract rights to use), and condition of, the tangible personal property we are acquiring, free and clear of all liens;

Title to and validity of the accounts receivable, work-in-process, and insurance renewals we are acquiring, free and clear of all liens;

The intellectual property we are acquiring, including title to and validity of such intellectual property, free and clear of all liens, that such intellectual property is all the intellectual property used in or necessary to the conduct of the Life Quotes business, and infringements and similar matters;

The contracts we are acquiring, including that such contracts are legally valid and binding, and that neither Life Quotes nor the other party is or has received notice that it is in breach of any such contract;

The licenses used in the Life Quotes business, including that Life Quotes owns all licenses to conduct its business, that such licenses are valid and in full force and effect, and that Life Quotes is not in default under such licenses;

Insurance with respect to Life Quotes' business, employees, assets and properties;

Transactions with officers, directors, and similar related persons of Life Quotes;

Employee and labor relations matters;

Environmental matters;

The business forms and policy statements used in the Life Quotes business, including that the Life Quotes business has been conducted in accordance with such business forms and policy statements and other relevant standards;

The absence of any guarantees by any other person of liabilities of Life Quotes' business related to the assets we are acquiring, or of Life Quotes incurred in connection with the conduct of its business, and the absence of any guarantees by Life Quotes of the liabilities of any other person;

The conveyance of all assets used or held by or necessary to Life Quotes in connection with its business as previously conducted by Life Quotes;

The absence of any brokers;

The commissions previously received by Life Quotes; and

The accuracy of the information provided to us.

We also provided customary representations and warranties to Life Quotes and Kenneth L. Manley, including as to the following:

Our due incorporation, validly existence and good standing;

- The authorization, execution, delivery, and performance by us, and the enforceability against us, of the asset purchase agreement;
- The absence of conflicts between the asset purchase agreement and our charter and bylaws, applicable law or our contracts or licenses;
- The absence of any brokers; and
- The disclosure of all consents, approvals or actions of, filings with, or notices to, any governmental or regulatory authority and the delivery to us of all such authorizations, consents or similar approvals required for the transaction.

Conditions To Closing

Our and Life Quotes' respective obligations to close the proposed acquisitions are subject to the satisfaction or waiver of the following conditions:

- The sale of real estate under the real property purchase agreement must close simultaneously;
- The escrow agreement must have been entered into;
- All necessary regulatory approvals must have been received; and
- No action or order preventing or seeking to prevent the proposed acquisitions must be pending or threatened.

Our obligations to close the proposed acquisitions are also subject to the satisfaction or waiver certain conditions, including the following:

- The representations and warranties of Life Quotes and Kenneth L. Manley must be true and correct in all material respects as of the closing date, and Life Quotes and Kenneth L. Manley must have performed the covenants and agreements to be performed by them in all material respects on or before the closing date;
- The non-competition agreement described below must have been entered into;

- The opinion of Mystic Capital must not be withdrawn or modified;
- We must have completed a satisfactory due diligence investigation of the assets and business we are acquiring; and
- We must have obtained the financing necessary to pay the purchase price.

Life Quotes' and Kenneth L. Manley's obligations to close the proposed acquisitions are also subject to the satisfaction or waiver of certain conditions, including the following:

- Our representations and warranties must be true and correct in all material respects as of the closing date, and we must have performed the covenants and agreements to be performed by us in all material respects on or before the closing date.

If any of the closing conditions are waived, we will consider the facts and circumstances at that time and make a determination as to whether a resolicitation of proxies from our stockholders is appropriate. No determination can be made at this time as to which, if any, of the closing conditions are likely to be waived by us or Life Quotes.

Covenants

The asset purchase agreement also contains covenants by the parties. Prior to the closing, Life Quotes and Kenneth L. Manley must:

- Operate the Life Quotes business and use the assets we are acquiring for our benefit, consistent with past practice;
- Keep us informed regarding the day-to-day operations of the Life Quotes business;
- Conduct the Life Quotes business only in the usual and ordinary course of business in accordance with past practice;
- Use their best efforts to retain Life Quotes' employees and business relationships;
- Maintain the assets we are acquiring in good repair;
- Maintain Life Quotes' advertising and marketing campaigns and expend certain amounts on such campaigns;
- Maintain Life Quotes' books and records and timely file tax returns and pay taxes, as may be required;
- Provide us with access, during normal business hours, to Life Quotes' books, records, invoices, contracts, leases, key personnel, independent accountants, property, facilities, equipment and other things related to Life Quotes' business or the assets we are acquiring;
- Not take or omit to take any action, or permit its affiliates to take or omit to take any action, which would reasonably be anticipated to have an adverse effect upon the Life Quotes business or the assets we are acquiring.

Prior to the closing, we must complete our due diligence review as soon as reasonably practicable.

Employee Matters

We may, but are under no obligation to, extend offers of employment to the employees of the Life Quotes business, on terms and conditions as we may determine. Employees who accept our employment offer will become our employees effective on the closing date. Life Quotes has agreed not to discourage any individuals who are offered such employment from accepting. In addition, we have agreed to use our reasonable best efforts, from and after the closing date, to offer certain employees of Life Quotes who we hire options to purchase an aggregate of 300,000 shares of our common stock. Such stock options will vest over a three-year period on terms similar to those terms offered to other of our employees.

Agreements Regarding Kenneth L. Manley

Kenneth L. Manley has agreed to assist us with the day-to-day operation of the Life Quotes business for a period of one month after the closing. For an additional three months after such one month period, Mr. Manley will, if we request, consult with us regarding the Life Quotes business for such things as procuring licenses and making filings, and assisting with marketing and advertising. Mr. Manley will not be required to devote more than 20% of his time to such consulting, and Mr. Manley will not be entitled to any additional compensation for his assistance or consulting (however, we will reimburse him for expenses).

Expenses

The costs and expenses of Life Quotes' audited financial statements will be borne equally by Life Quotes and us. We will bear the costs of preparing our own audited financial statements using the Life Quotes financial statements. We will bear any sales or use taxes arising in connection with the closing and our acquisition of the assets. Except for the foregoing, we and Life Quotes will each pay our own expenses.

Indemnification

Life Quotes and Kenneth L. Manley will indemnify and hold harmless us and our officers, shareholders, directors, employees, agents, representatives and affiliates from and against all losses that each incurs arising out of or resulting from:

- Any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of Life Quotes contained in the asset purchase agreement (in each case disregarding materiality);
- Actions taken by Life Quotes or Kenneth L. Manley during the period prior to the closing date with respect to the Life Quotes business or the assets we are acquiring that constitutes a breach of their obligations under the asset purchase agreement or the real property purchase agreement.
- Life Quotes' benefit plans;
- Liabilities of Life Quotes we are not assuming;
- Taxes imposed on us (other than sales and use taxes as described above);
- Any claims by third parties that allege circumstances that, if true, would be a breach or violation of a representation or warranty made by Life Quotes or Kenneth L. Manley; and
- Certain litigation of Life Quotes.

We are obligated to indemnify and hold harmless Life Quotes and its shareholders, directors, officers, employees, agents, and affiliates from and against all losses that each incurs arising out of or resulting from:

- Any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of us contained in the asset purchase agreement (in each case disregarding materiality); and
- Liabilities of Life Quotes we are assuming.

The maximum obligation of Life Quotes and Kenneth L. Manley under these indemnification provisions is the aggregate purchase price we are paying under the asset purchase agreement and the real property purchase agreement. Indemnity obligations will be reduced for any insurance received and claims for indemnification may not be made until the aggregate amount of all such claims exceeds $5,000.

Amendment

The asset purchase agreement may only be amended in a written document signed by all of the parties thereto.

THE STOCK PURCHASE AGREEMENT

The following is a discussion of the material terms of the stock purchase agreement. The full text of the stock purchase agreement is attached as **Annex A-3** hereto, and is included as part of this proxy statement. You are encouraged to read the entire stock purchase agreement carefully.

Issuance

We have agreed to issue and sell to Zions, and Zions has agreed to purchase, 2,363,636 shares of our common stock, which includes an equal number of shares of our preferred share purchase rights, at an aggregate purchase price of $13,000,000. The closing of the issuance and sale of such common stock will occur on the same date as the closing of the transactions under the asset purchase agreement.

Representations and Warranties

We made customary representations and warranties to Zions in the stock purchase agreement, including as to the following:

- Our and our subsidiaries' due organization, validly existence and good standing, our requisite power to carry on our business as it is now being conducted and as it is proposed to be conducted, and our due qualification to transact business and good standing in certain jurisdictions;

- Our power and authority to enter into the stock purchase agreement and the investor rights agreement and to issue and sell the stock to be issued to Zions;

- Our capitalization, including the options, warrants and other rights to purchase stock we have granted and the pro forma capitalization after the consummation of the transactions under the stock purchase agreement, and the identity and holdings of certain of our stockholders;

- The authorization, execution, delivery, and performance by us, and the enforceability against us, of the stock purchase agreement and the investor rights agreement;

- The valid issuance of the stock to be issued to Zions;

- The absence of any consents from governmental entities or parties to any contracts with us necessary for the execution, delivery and performance of the stock purchase agreement and the investor rights agreement and the issuance of the stock to be issued to Zions, other than certain securities filings;

- The exemption from the registration requirements of the securities laws for the issuance of the stock to be issued to Zions;

- The absence of any legal proceedings pending or, to our knowledge, threatened against us that questions the validity of the stock purchase agreement or investor rights agreement, our right to issue the stock to be issued to Zions, or that might result in a material adverse effect on us or a change in our current equity ownership;

- The ownership of our intellectual property, infringements and similar matters regarding such intellectual property, and certain other matters relating to our intellectual property;

- The absence of certain violations of, or of certain conflicts between the stock purchase agreement and the investor rights agreement and, our charter and bylaws, contracts to which we are bound or applicable laws;

Certain of our agreements and actions;

The absence of certain related-party transactions;

The permits necessary for our business;

Our compliance with environmental and safety laws;

Our disclosure to Zions of all information it has requested for deciding whether to purchase the stock from us, and the accuracy of such information;

The absence of other registration rights;

Our and our subsidiaries' charter and bylaws;

Title to our property and assets, including the absence of certain liens on such property and assets;

The financial statements we provided to Zions, including that such financial statements fairly present our financial condition and results of operations, and that there are no undisclosed liabilities, except for those incurred in the ordinary course of business and that are not material;

The reports we have made under the securities laws;

The absence, since September 30, 2003, of certain changes in us and our business, including the absence of changes in our assets, liabilities, financial condition and results of operations from that reflected in our financial statements, except for those incurred in the ordinary course of business and are not material;

Matters related to our benefits plans and compliance with ERISA;

Tax matters, including that we have filed all tax returns and paid all taxes required to be filed and paid, that the provision we have made for taxes is adequate, and that all amounts required to be withheld by us have been so withheld and paid to taxing authorities;

Insurance-related matters, including the sufficiency of our insurance;

Our minute books;

Labor relations matters;

- Employee matters;
- The use of proceeds from our sale of stock to Zions;
- The execution by our employees, consultants, and officers of agreements regarding confidentiality and proprietary information, and the absence of defaults under such agreements; and
- The absence of brokers' fees.

Zions also made customary representations and warranties to us in the stock purchase agreement, including as to the following:

- Zions' due organization, valid existence and good standing;
- Zions' power and authority to enter into the stock purchase agreement and investor rights agreement, the authorization, execution, delivery and performance by Zions, and the enforceability against Zions, of the stock purchase agreement and the investor rights agreement;
- Customary investment representations; and
- The absence of brokers' fees, other than fees and expenses payable to Appleby Group, Inc.

Conditions To Closing

Zions' obligations to purchase the stock it proposes to purchase are subject to the satisfaction or waiver of certain conditions, including the following:

- Our representations and warranties must be true and correct in all material respects as of the date of the stock purchase agreement and as of the closing date;
- We must have performed the agreements to be performed by us in all material respects on or before the closing date;
- There must be no event or circumstance that had or would reasonably be expected to have a material adverse effect on us;
- We must have filed all notices and obtained all consents required to be filed or obtained by us;
- The issuance of the stock by us must be legal, and there must be no order or action pending or threatened preventing or seeking to prevent the proposed issuance of such stock or the other transactions contemplated by the stock purchase agreement and investor rights agreement;
- Our board must have taken the requisite steps to appoint to our board of directors a director designated by Zions in accordance with the investor rights agreement, as described below;

- All of our officers and employees must be must be bound by employment, confidentiality, non-compete, non-solicitation and work product agreements satisfactory to Zions;
- Zions must have completed its due diligence investigation of us;
- We must not have dissolved, liquidated, entered into bankruptcy or similar proceedings, or taken similar steps;
- We must not have any liabilities other than those set forth on our financial statements or incurred in the ordinary course of business;
- The acquisition of substantially all of the assets of Life Quotes and the related real estate must close simultaneously;
- We must have amended our rights plan to exempt the issuance of the stock to Zions;
- We must have obtained shareholder approval of the issuance of the stock to Zions; and
- Amendments and waivers of "change of control" provisions of the employment agreements of Robert S. Bland and William V. Thoms must have been obtained.

Our obligations to close the issuance of stock to Zions are also subject to the satisfaction or waiver of certain conditions, including the following:

- Zions' representations and warranties must be true and correct in all material respects as of the date of the stock purchase agreement and as of the closing date;
- The issuance of the stock by us must be legal, and there must be no order or action pending or threatened preventing or seeking to prevent the proposed issuance of shares or the other transactions contemplated by the stock purchase agreement and investor rights agreement;
- We must have filed all notices and obtained all consents required to be filed or obtained by us; and
- We must have obtained shareholder approval of the issuance of stock to Zions.

Indemnification

In the event that Zions suffers any loss or claim as a result our breach of (or a third person alleging facts that, if true, would mean we have breached) any of our representations, warranties and covenants contained the stock purchase agreement or our actions or failure to act (including statements, actions or omissions made or information provided by us, our agents, employees, advisors, representatives or the board of directors) in connection with or relating to the stock purchase agreement or the investor rights agreement, then we will indemnify Zions from and against the loss or claim Zions may suffer through and after the date of such claim for indemnification.

The maximum obligation of ours under the indemnification provisions is the purchase price for the stock we are issuing. Claims for indemnification may not be made until the aggregate amount of all such claims exceeds $25,000.

Termination

The stock purchase agreement may be terminated at any time prior to the Closing:

by mutual consent of us and Zions;

by either us or Zions if there has been a material breach of any representation, warranty, covenant or agreement on the part of the other set forth in the stock purchase agreement, which breach has not been cured within five business days after the breaching party receives notice of such breach, or if any order preventing the consummation of the transactions contemplated by the stock purchase agreement or the investor rights agreement has become final and non-appealable; or

by either us or Zions, so long as such party has not materially breached its obligations under the stock purchase agreement, if the closing has not occurred on or before June 1, 2004.

Covenants

We have agreed that, between the date of the stock purchase agreement and the closing, we:

will not take, or permit or cause our subsidiaries to take, directly or indirectly, any action or enter into any transaction outside the ordinary course of our business without Zions' prior written consent;

will take, and cause our subsidiaries to take, all necessary corporate action to satisfy the conditions to closing; and

will take such actions as may be needed to assist and cooperate with Zions to complete the sale of stock to Zions.

Amendment

The stock purchase agreement may be amended and the observance of any term of the stock purchase agreement may be waived only with the written consent of us and Zions.

OTHER AGREEMENTS

Real Property Purchase Agreement

The following is a discussion of the material terms of the real property purchase agreement. The full text of the real property purchase agreement is attached as **Annex A-4** hereto, and is included as part of this proxy statement. You are encouraged to read the entire real property purchase agreement carefully.

Under the real property purchase agreement, we have agreed to purchase from Kenneth L. Manley certain property in Evergreen, Colorado that is leased by Life Quotes for use in its business. The purchase price for this property is $5,000,000. The closing of such purchase will be simultaneous with the closing of the asset purchase agreement. We have thirty days from the date the real property purchase agreement was executed to conduct a due diligence evaluation of such property. If, during such period, we determine that our evaluation reveals any matters or any conditions for which the repair or remediation would cost, individually or in the aggregate, in excess of $50,000, we may terminate the real property purchase agreement. We and Mr. Manley each provided customary representations, warranties, and covenants with respect to a purchase of real estate under the real property purchase agreement, and we each have customary conditions to closing.

Investor Rights Agreement

The following is a discussion of the material terms of the investor rights agreement. The full text of the investor rights agreement is attached as **Annex A-5** hereto, and is included as part of this proxy statement. You are encouraged to read the entire investor rights agreement carefully.

The holders of 50% or more of the stock we are issuing to Zions (including any shares issued as a dividend or distribution thereon), or the registrable securities, may make up to three requests for us to register such stock under the Securities Act of 1933, or the Securities Act. Upon the making of such a request, we will notify the other holders of registrable securities and will use our commercially reasonable efforts to effect as soon as practicable thereafter the registration of the shares initially requested to be so registered and such additional shares as other holders may request within 30 days of our notice. Such registrations are subject to customary limitations on the number of shares to be included in an underwritten offering pursuant to such registrations and on the timing of such registrations. The holders of 50% or more of the registrable securities may also request that we effect up to three additional registrations on Form S-3. Upon such requests, we will also notify other holders of registrable securities, and we will effect as soon as practicable thereafter the registration of the shares initially requested to be so registered and such additional shares as other holders may request within 30 days of our notice, again subject to customary limitations. In addition to such demand registrations, the holders of the stock we are issuing to Zions will be able to include their shares in certain registrations we may propose to make. We will pay the expenses (other than underwriting discounts and commissions) incurred in connection with all such registrations. These registration rights will expire when Zions and other holders of registrable securities are eligible to sell all of such registrable securities pursuant to Rule 144(k) under the Securities Act.

We also agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement:

- We will deliver certain financial statements to Zions, permit Zions to visit and conduct a reasonable inspection of our properties and book and records, and permit Zions access to our officers, employees and accountants to discuss our affairs, finances and accounts;
- Zions will have preemptive rights to subscribe for future issuances of our securities, other than issuances under certain authorized or issued options, under our employee stock purchase plan or in a registered offering;
- We will comply with certain covenants regarding the operation of our business;
- The number of directors on our board of directors will be fixed at seven, and Zions will be entitled to nominate or appoint one of such directors;
- The consent of the majority of our board of directors will be required for us to:
  - make capital expenditures in excess of $500,000 in any single transaction or 115% of the amount approved in our budget for such fiscal year;
  - make any loan or advance, other than travel advances;
  - adopt any new or amend any employee benefit plan;
  - engage in any transaction with any affiliate, officer, director, or stockholder (or members of their immediate families);
  - enter into material contracts;
  - approve the annual operating and capital budget, or any amendments or deviations;

- establish board committees;
- waive any material rights or consent to settle any material litigation;
- institute litigation or similar proceedings outside the ordinary course of business; and
- make decisions to employ or terminate the Company's senior executives and fix their compensation; and

The consent of 75% of the members of our board of directors will be required for us to:

- authorize, issue or sell any equity security (including options), other than certain specified options or pursuant to our employee stock purchase plan;
- increase the authorized number of shares of our stock;
- enter into any registration rights agreement;
- repurchase or redeem any of our securities other than on a pro rata basis;
- engage in or agree to certain transactions, such as certain mergers and combinations, certain purchases of all or substantially all the assets of another person, and sales of all or substantially all our assets or certain sales of our business or assets;
- alter or change materially and adversely the rights of holders of our common stock;
- incur indebtedness or guarantees in excess of $2,500,000 individually or $5,000,000 in the aggregate;
- amend or propose to amend our charter or bylaws;
- liquidate, dissolve, recapitalize, or effect a stock split or reverse stock split, or obligate ourselves to do so;
- engage in any other business other than the business we are currently engaged in; or
- declare any dividends or distributions.

We agreed to maintain certain directors' and officers' liability insurance for the director nominated or appointed by Zions, and to indemnify and hold harmless such director to the same extent as all of our other directors.

Zions has agreed that, without the consent of a majority of our board of directors, it and its affiliates will not, prior to the first anniversary of the closing date:

- Acquire any additional shares of our common stock;
- Initiate a special meeting of our stockholders to elect directors;
- Make any agreement with respect to voting of our common stock or deposit our common stock in a voting trust;
- Seek the election of any member of our board of directors except as nominated by our nominating committee, or seek the removal of any director, other than the Zions nominee;
- Request us to amend or waive these restrictions;
- Participate in any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of, our securities;
- publicly announce or submit a proposal for any extraordinary transaction involving us or our securities or assets; or
- form or join in a "group" (as defined in the rules promulgated by the SEC).

In addition, Robert S. Bland and William V. Thoms agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, they will vote for the Zions nominee to our Board of Directors and, if either proposes to sell any of their Quotesmith.com common stock, subject to certain exceptions, they will afford Zions the right to participate proportionately in such sale.

Mr. Bland and Mr. Thoms also granted to Zions, and Zions granted to us, Mr. Bland and Mr. Thoms, a right of first refusal with respect to certain transfers of their shares of common stock.

Non-Competition Agreement with Kenneth L. Manley

Under a proposed non-competition agreement between Kenneth L. Manley and us to be executed on closing of the acquisition of the Life Quotes assets, Mr. Manley will agree that, for three years, he will not:

- compete with the Life Quotes business anywhere in the United States;
- interfere with any relationship between us and any insurance company, insurance agent, insurance provider, landlord, dealer, distributor, agent, principal, customer, supplier or employee of ours;
- solicit the employment by others of any of our or of Life Quotes' employees or former employees, or encourage any of our or Life Quotes' employees to terminate their employment or enter into employment with any other person, unless such employee or former employee has not been employed by us or the Life Quotes business for at least 12 months;
- disparage us, the Life Quotes business, or our assets, business, personnel, prospects or operations, including on any internet "Message Board" or website or similar venue; or
- disclose any confidential information regarding us or the Life Quotes business.

Agency Agreement with Kenneth L. Manley

Notwithstanding the non-competition agreement, under the asset purchase agreement and a proposed agency agreement among us, our wholly-owned subsidiary and Kenneth L. Manley to be executed on closing of the acquisition of the Life Quotes assets, Mr. Manley, his spouse and children, and Life Quotes will be permitted to sell life insurance products, provided that they place such products through us as our agent and such placements do not exceed $2.0 million in annual first year commissionable premium (increased annually based on the rate of inflation). In addition, Mr. Manley, his spouse and children, and Life Quotes will agree in the proposed agency agreement to non-competition provisions substantially similar to those described above during the term of the agency agreement and, unless the proposed agency agreement is terminated by us other than for cause, the three-year period beginning on the later to occur of the end of the term of the

non-competition agreement and termination of the proposed agency agreement. The term of the proposed agency agreement will initially be for three years and thereafter will automatically extend for additional one-year periods unless earlier terminated by us for cause, as defined in the agreement, or by any party after the initial three year term on thirty days prior notice.

OUR BUSINESS

We are an insurance agency and brokerage headquartered in Darien, Illinois. We own and operate a comprehensive online consumer insurance information service, accessible at *www.Insure.com*, which caters to the needs of self-directed insurance shoppers. Since our inception in 1984, we have been continuously developing a proprietary and comprehensive insurance price comparison and order-entry system that provides instant quotes from over 200 insurance companies for numerous life and health insurance products. We use this database to provide customers with a large array of comparative life and health insurance quotes online, over the phone or by mail, and we allow the customer to purchase insurance from the company of their choice either online or over the phone with our licensed insurance customer service staff. Our website also provides insurance information and decision-making tools, along with access to other forms of personal insurance, such as auto, homeowners, renters, long-term care and travel insurance through various partners. We generate revenues from the receipt of commissions and fees paid by various sources, that are tied directly to the volume of insurance sales or traffic that we produce. We conduct our insurance agency and brokerage operations primarily using salaried, non-commissioned personnel and we generate prospective customer interest using traditional direct response advertising methods conducted primarily offline.

For the seven-year period ended December 31, 2003, we have spent a total of $57.3 million in direct-to-consumer advertising and have sold approximately 133,000 new policies.

In December 2001, we acquired selected assets of Insurance News Network, LLC, including its content-rich consumer information Web site, *www.Insure.com*, which was regularly among the top five most visited insurance sites on the Internet. Insure.com provides insurance-related information and decision-making tools, along with library of thousands of insurance articles that are well organized and served up in an easy-to-navigate format. This information has been integrated with our insurance quoting services.

Industry Background

The Traditional Insurance Market in the United States

The insurance market in the United States represents over $1 trillion in annual paid premiums. Insurance products are widely held by households and businesses. The United States insurance market is broadly divided into two categories: life and health insurance and property and casualty insurance. Over 4,000 insurance companies distribute their products through a network of agents and brokers or sell directly to consumers. There are approximately one million individuals licensed as agents and brokers to sell insurance in the United States. A variety of distribution systems have evolved, including "captive" one-company agents and independent agents and brokers that typically represent only two to five insurance companies.

Challenges to Purchasing and Delivering Insurance

There are numerous challenges to the informed purchase and delivery of insurance products. Some of these challenges are due to the specialized nature of insurance products and other challenges result from the way in which insurance has been traditionally distributed.

These challenges include:

Fragmented delivery. Insurance products are available from captive agents, independent agents and direct distribution channels as well as new entrants, including banks and other financial institutions. Because of this fragmentation, there has been no single source of policy coverage and pricing information from which a consumer can obtain unbiased and complete information.

Quantity and variation of products. Insurance policies vary by type of insurance product, underwriting guidelines, insurance company, jurisdiction and the particular characteristics and preferences of the consumer. This creates a complex pricing structure that is not readily understandable or comparable without the use of technology.

Information-intensive underwriting process. The underwriting process requires consumers to submit, and insurance companies to collect, large amounts of individualized and personal information. This process is difficult, time consuming and, if not accurately completed, will delay the approval of a policy.

Negative consumer perception. Consumers often believe that they paid too much for their insurance and were not properly informed by insurance agents. Face-to-face contact with an insurance agent may convey the sense of a high-pressure sales environment with a lack of unbiased information.

Misalignment of interests between insurance agents and consumers. Commission-based insurance agents represent only a limited number of insurance companies. Accordingly, they are compensated to promote and sell a limited range of products, which is in direct conflict with the consumer's need to obtain insurance at the lowest price.

Inconvenient and time-consuming purchase. Researching policy coverage, contacting competing insurance companies, collecting information and obtaining insurance quotes require large blocks of time usually during regular working hours. Consumers are often unable to shop for insurance on their own time and from the convenience of their own home.

Distribution of insurance through traditional agent and broker sales forces is expensive and inefficient for insurance companies. Traditional agency distribution methods have high fixed costs associated with establishing and maintaining numerous branch and local offices, high commission structures, recurring training costs and high agent turnover. In addition, insurance companies often do not target all segments of the population because of the inability to profitably serve these segments through traditional distribution channels.

Emergence of the Internet and Electronic Commerce

The Internet has emerged as a global medium for communication, information and commerce. The Internet possesses a number of unique characteristics that differentiate it from traditional media and other methods of commerce, including:

- companies can reach and serve a large and global group of consumers electronically from a central location;
- companies can provide personalized, low-cost and real time consumer interaction;
- users communicate or access information without geographic or temporal limitations;
- users enjoy greater convenience and privacy and face less sales pressure; and
- users have an enormous diversity of easily accessible content and commerce offerings.

As a result of these unique characteristics and the Internet's growing adoption rate, businesses have an enormous opportunity to conduct commerce over the Internet. The Internet gives companies the opportunity to develop one-to-one relationships with consumers worldwide without having to make the significant investments to build and manage a local market presence or develop the printing and mailing capabilities associated with traditional direct marketing activities.

Emergence of the Electronic Service Category

A new category of Internet-based electronic service providers has emerged that offers a focused range of services with special emphasis on providing relevant content, information and transaction capabilities. Recent examples include companies operating as online providers of mortgages, online securities brokers and automobile referral services. These consumer-focused, one-stop, information-based destinations provide enhanced, high margin services by acting as independent intermediaries that facilitate interaction and transaction flow between buyers and sellers. Consumers benefit because they are able to obtain value-added information services and transaction capabilities on their own time schedule. Sellers benefit because they are able to deliver targeted offerings more effectively to consumers.

Online Insurance Opportunity

The growing acceptance of the Internet and electronic commerce presents a significant opportunity for the insurance industry by allowing consumers to more efficiently and effectively research and transact with insurance companies. The fragmentation of the insurance industry and the significant price and product variation has led consumers to seek alternative means of purchase and insurance companies to seek alternative means of distribution. We believe that the vast information sharing and communications power of the Internet will significantly improve the insurance industry for both consumers and insurance companies.

Characteristics of the insurance product that make it particularly well suited for delivery over the Internet include:

- insurance is an information-based product that needs no physical shipment or warehousing of merchandise;
- through a single medium, consumers can access information and compare a wide variety of insurance companies' products;
- effective two-way communication flow via the Internet allows insurance companies to interact with consumers and rapidly collect underwriting information;
- enhanced convenience, privacy and control over the process of researching and purchasing insurance without the pressure of a commissioned agent; and
- ability of insurance companies to target and serve segments of the market which previously were unprofitable through traditional distribution channels by reducing the need for large sales staff and costly local offices.

Many companies are trying to address the online insurance opportunity. Some companies have created "lead referral" Web sites for the purpose of capturing consumer name and address information to be forwarded, as a prospective sales lead, to a specified insurance company or its traditional sales force. Many of these Web sites are paid up-front referral fees, are aligned with a limited number of insurance companies and often do not quote many of the lowest priced insurance policies. Consumers are often still required to complete their purchase through a commissioned salesperson. Additionally, these companies typically do not offer any personalized customer service or insurance fulfillment capabilities and, therefore, do not offer a complete quote-to-policy delivery insurance solution.

Existing insurance companies and their agents and brokers have created Web sites to sell their insurance products online as an alternative to their traditional sales activities. Some companies have created Web sites with the primary purpose of creating an insurance sale online for a single insurance company or group of insurance companies with little or no comparative overview of prices. These companies perpetuate the fragmentation in the industry by not offering a comprehensive database of pricing and coverage information.

As a result of the shortcomings inherent in the online lead referral and single company approaches, we believe there exists a significant market opportunity for the emergence of a large-scale, comprehensive and unbiased Internet-based insurance service. Self-directed consumers will be attracted to the broadest selection of insurance companies and a compelling value proposition based upon price, time and transaction fulfillment.

The Insure.com Solution

We believe that Insure.com is the most comprehensive Internet-based insurance service available. Our service enables consumers and business owners to obtain instant quotes from over 200 insurance companies for several different life, health, auto and home insurance products, and we guarantee the accuracy of every quote. Customers who prefer an offline experience can receive comparative life and health insurance quotes from our licensed insurance professionals and can complete an insurance application over the phone. Our web site provides consumers and business owners with insurance-related information, and decision-making tools. Combining the reach and efficiency of the Internet with our proprietary database and industry expertise developed over the past 20 years, we provide a complete "quote to policy delivery" insurance solution.

We have created a model that addresses the challenges faced by traditional insurance distribution methods in a manner that offers significant benefits to both consumers and insurance companies. The Insure.com model allows consumers to:

- research and become informed about insurance coverage issues
- efficiently search for, analyze and compare insurance products;
- quickly request and obtain insurance quotes, either online or by phone; and
- easily select and purchase insurance from the insurance company of their choice.

The Insure.com solution provides the following principal advantages to both consumers and insurance companies:

Comprehensive Source of Insurance Information and Products. Using our easy-to-navigate web site, consumers can access insurance-related information, and decision-making tools, as well as a library of thousands of insurance articles. Our Web site also provides insurance quotes from over 200 insurance companies across several types of insurance including individual term life, private passenger automobile, dental, individual and family medical, long-term care, disability, small group medical, and "no exam" whole life. We believe we offer consumers access to the largest, most complete repository of comparative information on insurance products, insurance pricing and insurance providers. We empower consumers with relevant current pricing knowledge, coverage information and independent rating information so consumers can make informed buying decisions.

Guaranteed-Accurate Instant Quotes. Over the past 20 years, we have developed what we believe to be the most complete, regularly updated database used to determine insurance quotes. The ability to obtain instant quotes on the Internet is the first priority for consumers purchasing insurance online, according to a recent survey by an independent research group. We obtain and regularly update all of our pricing, underwriting and policy coverage information contained in our databases directly from the insurance company to ensure accuracy. We offer consumers a unique $500 cash reward guarantee that we provide an accurate quote. In addition, we also offer a $500 cash reward guarantee that we provide the lowest price quote available with respect to term life and automobile insurance policies. These Quotesmith.com guarantees are unmatched by any competitor.

Consumer in Control. We put consumers in control of their insurance purchase decisions by providing them with the ability to efficiently search, analyze and compare prices of insurance products from multiple insurance companies in complete privacy, on their own time and free from the pressure to buy associated with traditional salespeople. Consumers choose from what we believe is the largest selection of insurance companies using their own preferences regarding price and insurance company rating. Consumers are able to purchase insurance directly through us without ever speaking to a commissioned salesperson if they so choose.

Convenience. Consumers who use Insure.com no longer need to contact different insurance companies or salespeople, one by one, in order to gather information to make educated decisions. Unlike traditional agents who only recommend and promote a limited number of insurance companies' policies, we provide real time access to a large database of over 200 insurance companies' products. Our comparison service presents users with a comprehensive listing of insurance quotes, ranked by price. We believe that this large array of available insurance providers in a single destination saves consumers time and effort in searching for and obtaining the most suitable coverage.

Quote to Policy Delivery Support. Consumers purchase insurance directly through us. Unlike insurance lead referral services, at Quotesmith.com we do not abandon the consumer once the insurance company has been selected, but continue to provide value-added support and service throughout the insurance purchase process. We facilitate this process by:

- providing a licensed agent's explanation of various pricing, coverage and independent rating information when asked;
- providing access to our licensed agents to assist consumers in completing insurance applications;
- offering applications that can be filled out online or over the phone while speaking with a licensed insurance professional; and
- arranging and monitoring the collection of outside underwriting information including paramedical examinations, laboratory reports and medical records.

Focus on Customer Service. Customer service is both our foundation and a strategic priority. We provide a high level of customer service throughout the application process and aim to eliminate consumer dissatisfaction and frustration. Our customer service staff has an average of approximately 10 years of experience in the insurance industry.

We implement our customer service objectives by:

- requiring all new employees to attend "Quotesmith University," a training course that teaches all of the service tasks we perform for our customers;
- monitoring call centers to ensure prompt and consistent responses to phone, mail and e-mail inquiries;
- providing regular application status reports and Web access to our customers on a consistent basis through policy delivery; and
- offering a 30-day cancellation option on term life policies.

Licensed National Insurance Agency. Unlike traditional insurance agents who are often only licensed in one or a limited number of states, our company and/or certain of its employees are licensed to distribute insurance throughout the United States. This allows us to process and offer insurance policies to consumers nationwide. Over a 20 year period, we have established vital information-contributor relationships with over 200 insurance companies, of which we are currently appointed as an authorized agent by approximately 180 insurance companies.

User Friendly System. At our web site, *www.Insure.com*, consumers can access our Internet-based services, research policy options and initiate purchase requests 24 hours a day, 7 days a week. Our easy to use web site is designed for fast viewing and general compatibility with all commonly used browsers. Callers to either the Insure.com or the Life Quotes call centers can receive quotes, discuss policy options with our licensed insurance agents and initiate purchase requests over the telephone.

Our Strategy

Our strategy is to be the leading service for all insurance needs of individuals. The key elements of our strategy include:

Continue to Build the Insure.com Brand. We intend to pursue a cost-effective marketing strategy designed to promote our Insure.com brand and consumer awareness of the benefits of researching and buying insurance through us.

Broaden our service to provide the customer with the ability to receive quotes and buy either online or through a telephone based sales staff. During the last quarter of 2002 and the first quarter of 2003, we launched our proprietary online application technology for most of our term life sales. While providing a very efficient and cost effective method of fulfillment, it is our belief that not providing a personal, telephone based option for customers restricted the number of sales we could make to potential buyers. During the fourth quarter of 2003, we opened a small quote-by phone facility along with the ability to fill out an application over the phone with a licensed insurance professional in our Darien, Illinois operations center. We also entered into an agreement with Life Quotes, a telephone based life insurance brokerage, to provide these services to customers responding to an 800 number in new advertising that we issued during the fourth quarter of 2003. We intend for our acquisition of substantially all of the assets of Life Quotes and the related real estate to provide a telephone based complement to our online sales model for term life insurance.

Expand Number of Participating Insurance Companies. We intend to increase the number of participating insurance companies in our service. A significant factor in our strategy has been our ability to demonstrate to an increasing number of leading insurance companies that we can generate incremental revenues for them within their existing pricing structures. We plan to extend this ability to broaden our relationships with major insurance companies based on reputation, quality and national presence in order to expand our insurance product offerings.

Leverage Customer Base. We have expanded our insurance product offerings and believe there is significant opportunity to leverage our existing customer base and provide new products to them without significant customer acquisition costs. We plan to tailor our marketing efforts based on consumer profiles contained in our database of existing customers. We also believe that the content acquired in the purchase of the Insure.com Web site will continue to provide us with a permanent new customer gateway, thereby

allowing us to reduce our future customer acquisition costs and our reliance on direct-to-consumer advertising as our primary source of new customers.

Strengthen and Pursue Strategic Relationships and Agreements. We believe that strategic joint ventures and licensing arrangements are attractive methods of expansion, as they will enable us to combine our expertise in Internet-based insurance offerings with other brand names, complementary services or technology. We plan to pursue additional relationships and agreements in the future. In addition, we may seek to acquire additional complementary technologies or businesses.

Continue to Focus on Customer Service. We provide insurance products and services for consumers from initial evaluation through policy delivery. In order to provide the highest level of service throughout the insurance buying process, we will monitor feedback from consumers and add new features designed to increase customer usage and loyalty.

Our Business Model

We have created a model that enables consumers to research, shop for and purchase insurance in a manner that we believe is simpler, faster and more convenient than traditional methods. Even if the customer prefers to transact this business by phone, our database provides almost instant quotes from our database of over 200 insurance companies, and our online application technology provides an efficient order entry platform. We provide a complete "quote to policy delivery" insurance solution. Our model:

- allows consumers to *specify the desired coverage* and *indicate their personal medical conditions* to generate appropriate individualized quotes;
- allows consumers to *indicate a range of substitutability* among insurance companies and policy features for example, consumers may want to purchase insurance from a company rated "A" or better by A.M. Best;
- allows consumers to *choose the premium* range they are prepared to pay for the policy they want;
- allows consumers to *purchase insurance* with or without the involvement of a commissioned salesperson;
- allows us to *monitor and care* for applicants through the underwriting process and policy delivery stage; and
- allows insurance companies to *offer additional policies* within their existing pricing structures.

We employ a team approach to customer service. If a customer wishes to initiate an insurance application request or obtain information concerning an application already in process, each and every customer service representative is able to provide assistance.

Our process is comprised of four primary stages.

Initial Information Evaluation. Consumers visit our user-friendly web site or speak with a licensed insurance professional to access our comprehensive database of insurance policy price rates, underwriting guidelines, policy coverage and exclusion information, and financial stability ratings of over 200 insurance companies. To help consumers understand the underwriting process, our web site provides information and helpful tips on how the underwriting process works.

Search, Retrieval and Comparison. Online consumers can quickly obtain a customized cost comparison report in a single search by completing a brief and anonymous questionnaire at the start of the online session. Customers who call in or request a quote by mail will receive the same information. Each anonymous consumer inquiry triggers a proprietary cost search and comparison algorithm that sorts through a database of thousands of insurance options that is updated daily. The search result, delivered in seconds, is a comprehensive comparison of insurance policies ranked by the lowest price that matches the consumer's criteria. Consumers can then click to view (or callers can discuss with a licensed insurance professional):

- specific coverage details about the policy;
- exclusions and guarantees (including policy acceptance guidelines); and
- latest financial stability ratings from five independent rating services.

Application Processing. If a consumer desires to purchase a policy, the consumer selects an insurance company and policy, and then fills out an application while online or on the phone with a licensed insurance professional. We offer online applications to accelerate the underwriting process for the most popular of the insurance companies within our term life offerings and have expanded into other product lines. After the consumer completes, receives via download or mail and signs the completed online application, the consumer returns the application to us. We then submit the application to the insurance company for underwriting on behalf of the consumer. We provide toll-free support during business hours to assist the consumer in completing the application.

Underwriting. During the underwriting process, we regularly track the progress of the consumer's outstanding items. We also assist the insurance company by arranging for a paramedical examination and facilitate the collection of any other outside information needed. We obtain status reports from the insurance company at least every ten days regarding the application and regularly communicate this information to the consumer. We review all policies for accuracy prior to delivery to the consumer.

If an insurance company declines to issue the policy or issues a counter offer at a higher premium, we send a letter to the consumer stating the reasons that the policy is not being issued as applied for. In this instance, we also assist the consumer in finding suitable alternative coverage wherever possible and whenever asked.

Once a policy has been issued and been paid for by the consumer, we receive a commission from the insurance company. We do not charge consumers for using our Quotesmith.com technology and do not currently sell banner advertising at our Insure.com web site.

Insurance Products

Quotesmith.com historically offered quote and policy-related information regarding term life insurance. We now also offer instant quotes and related information on additional insurance products for both individuals and small businesses. Our current product offerings include:

Individual term life. This is life insurance coverage that has no cash value and continues for a fixed period of time such as 15, 20 or 25 years. We have been offering instant quotes and delivering term life policies since 1993.

Private passenger automobile. This provides collision and liability insurance to individuals for private cars and vehicles. We provide a multi-company auto insurance price comparison service using third-party technology.

Homeowner's. This provides insurance against fire and other perils for personal residences. We provide this service using third-party technology.

Dental. This includes traditional indemnity insurance along with fixed discount plans. We provide this service using third-party technology.

Individual and family medical. This is also known as comprehensive major medical insurance. We have been offering instant medical insurance quotes since 1998. Our offerings include traditional plans, PPOs and HMOs from Blue Cross and Blue Shield plans and other carriers.

International travel medical. This provides medical insurance for U.S. citizens traveling abroad and for foreign citizens traveling in the United States, as well as other risks associated with international travel. We currently provide a multi-company international medical and travel insurance price comparison service using third-party technology.

Small group medical. Small group medical insurance are those comprehensive medical plans offered to firms that employ from 2 to 100 people. We began offering instant quotes from, and tracking traditional plans of, PPOs, HMOs and Blue Cross and Blue Shield plans in the second quarter of 1999.

"No-exam" life. This provides insurance for persons who want life insurance coverage without a paramedical examination. We offer instant quotes using third party technology.

Renters Insurance. This provides insurance against the perils of fire, theft and windstorm for renters. We provide instant quotes using third party technology.

We constantly evaluate our offerings based on a number of factors, including market acceptance and profitability. We may decide to add or delete lines of coverage at any time.

Technology

Proprietary Insurance Information Databases. We maintain a proprietary database of premium rates and policy coverage information from over 200 insurance companies. We do not rely upon state insurance departments or any other regulatory agencies to obtain any insurance pricing information. Instead, we obtain and regularly update all of the pricing, underwriting and policy coverage information contained in our databases directly from each quoted insurance company. We obtain financial stability ratings from A.M. Best, Fitch, Inc., Moody's, Standard & Poor's and Weiss Ratings, Inc. and hold licenses to distribute the copyrighted rating from each of these ratings services. Our dedicated staff of full-time market reporters regularly contacts the insurance companies quoted on our service and monitors and updates our databases as market conditions warrant. Each business day we make hundreds of changes to our insurance database.

Technology Systems. Our systems for processing quotes, purchase requests, application progress tracking, customer notification and revenue recognition are highly automated and integrated. Customer service representatives equipped with online computer terminals can access a customer's account information from our database on demand. Our core technology systems use a combination of our own proprietary technologies and commercially available, licensed technologies. We have internally developed and enhanced our proprietary programs over a period of 20 years using scalable tools and platforms to allow us to rapidly expand our network and computing capacity.

An internal programming and system administration staff supports our technology. In addition to supporting the systems, our staff continually enhances our software and hardware and develops new systems and services to better service our customers and business objectives.

Server Hosting and Backup. Our Web sites are hosted by InterNap Network Services in Chicago, Illinois. This grade "A" telecommunications data center provides redundant communications lines to the Internet backbone, emergency power backup, and security, as well as 24-hour monitoring and engineering support. In addition, we have implemented load balancing systems and our own redundant servers to provide for fault tolerance. These redundancies permit us to perform scheduled maintenance without taking our Web sites offline. Finally, tape backups are performed nightly to prevent a loss of data.

Marketing

We attract new consumers and communicate the availability of new products and services primarily through direct response marketing methods. We have established ourselves as a leading Internet-based insurance brand through an offline marketing campaign consisting primarily of magazine advertisements, radio and direct mail. We employ in-house volume media buying and other strategies to minimize the expenses of broad-based advertising. Using our proprietary information processing systems and consumer database as well as other resources, we employ statistical analyses to measure the effectiveness and efficiency of our marketing efforts. In the past, Life Quotes has also advertised using traditional direct response marketing methods, primarily radio and print media advertisements. We plan to take advantage of the combined firms' advertising spending to reach the maximum number of potential customers for the lowest possible cost. We anticipate that certain synergies will occur from this combining of advertising budgets, such as the sale of health, auto and homeowners products to customers of Life Quotes, and better tem life customer penetration from the Insure.com advertising by offering a quote by phone option.

We intend to aggressively pursue a marketing strategy designed to promote our Insure.com brand and consumer awareness of the benefits of buying insurance through us. We intend to target households and small businesses.

Our marketing strategy is to promote our brands and attract self-directed consumers to our web sites. Our marketing initiatives include:

- leveraging the Insure.com content to increase customer traffic via our new customer gateway;
- using direct response print advertisements placed primarily in financially oriented magazines and special interest magazines;
- advertising via radio and direct mail; and

- entering into strategic relationships with other financial services and general purpose web sites to increase our access to online consumers.

Material Strategic Relationships and Agreements

We selectively pursue strategic relationships and agreements to expand our access to online consumers, to build our brand name recognition and to expand our products and services with a variety of companies. Revenue associated with our agreements with strategic partners comprised approximately 18% of total revenue for the year ended December 31, 2003.

Competition

We compete with online and traditional providers of insurance products. The market for selling insurance products over the Internet is new, rapidly evolving and intensely competitive. Current and new competitors may be able to launch new sites at a relatively low cost. There are a number of companies that either sell insurance online or provide lead referral services online.

We believe that we are the most comprehensive Internet-based insurance service because we provide consumers complete quote to policy delivery insurance services, instant quotes from over 200 insurance companies for several different insurance products and the ability to buy online or over the phone. Our Internet-based, lead-referral competitors generally capture consumer name and address information to be forwarded, as a prospective sales lead, to a specified insurance company, without personalized customer service or fulfillment capabilities. Other Internet-based competitors have created Web sites as alternatives to their traditional sales activities and offer products from a single insurance company or a relatively small group of insurance companies with little or no comparative overview of prices. While we believe that our complete quote to policy delivery service offers a more comprehensive Internet-based insurance service solution than these competitors, we nonetheless expect to face intense competition from these other types of insurance services.

We also face competition from the traditional distributors of insurance such as captive agents, independent brokers and agents and direct distributors of insurance. Insurance companies and distributors of insurance products are increasingly competing with banks, securities firms and mutual fund companies that sell insurance or alternative products to similar consumers.

We potentially face competition from unanticipated alternatives to our insurance service from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic. These potential competitors could choose to compete with us directly or indirectly through affiliations with other electronic commerce companies, including direct competitors. Other large companies with strong brand recognition, technical expertise and experience in Internet commerce could also seek to compete with us. Competition from these and other sources could harm our business, results of operations and financial condition.

We believe that the principal competitive factors in our markets are price, brand recognition, web site useability, ability to fulfill customer purchase requests, customer service, reliability of delivery, ease of use, and technical expertise and capabilities. Many of our current and potential competitors, including Internet directories and search engines and traditional insurance agents and brokers, have longer operating histories, larger consumer bases, greater brand recognition and significantly greater financial, marketing, technical and other resources than us. Several of these competitors may be able to secure products and services on more favorable terms than we can obtain. In addition, many of these competitors may be able to devote significantly greater resources than us for developing Web sites and systems, marketing and promotional campaigns, attracting traffic to their Web sites and attracting and retaining key employees.

Increased competition may result in reduced operating margins, loss of market share and damage to our brand. We cannot assure you that we will be able to compete successfully against current and future competitors or that competition will not harm our business, results of operations and financial condition.

Regulation

The insurance industry and the marketers of insurance products are subject to extensive regulation by state governments and by the District of Columbia. This regulation extends to the operations of insurance companies, insurance agents and to our service.

Our products are sold throughout the United States through licenses held by us and/or one of our employees, as is required by each state's insurance department. In general, state insurance laws establish supervisory agencies with broad administrative and supervisory powers to:

- grant and revoke licenses to transact business;
- impose continuing education requirements;
- regulate trade practices;
- require statutory financial statements of the insurance companies;
- approve individuals and entities to which commissions can be paid;
- monitor the activity of our non-licensed customer service representatives;
- regulate methods of transacting business and advertising; and
- approve policy forms, and regulate premium rates for some forms of insurance.

Moreover, existing state insurance regulations require that a firm, or individual within that firm, must be licensed in order to quote an insurance premium. State insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable insurance laws and regulations by insurance companies and their agents. In recent years, a number of insurance agents and the life insurance companies they represent, have been the subject of regulatory proceedings and litigation relating to alleged improper life insurance pricing and sales practices. Some of these agents and insurance companies have incurred or paid substantial amounts in connection with the resolution of these matters. We do not currently sell the types of life insurance primarily cash value life insurance policies such as universal life that are the subject of these actions.

In addition, licensing laws applicable to insurance marketing activities and the receipt of commissions vary by jurisdiction and are subject to interpretation as to the application of these requirements to specific activities or transactions. We and/or many of our employees are currently licensed to sell insurance in every state and the District of Columbia. All interaction with customers is done through our licensed customer service staff. We do not permit any of our unlicensed personnel who occasionally have contact with customers to act as insurance agents. We monitor the regulatory compliance of our sales, marketing and advertising practices and the related activities of our employees. We also provide continuing education and training to our staff in an effort to ensure compliance with applicable insurance laws and regulations. However, we cannot assure you that a state insurance department will not make a determination that one or more of these activities constitute the solicitation of insurance and that personnel must be licensed. Such a determination could harm our business.

We can give you no assurance that we would be deemed to be in compliance with all applicable insurance licensing requirements and marketing regulations of each jurisdiction in which we operate. Nor can we assure you that we do not need to obtain any additional licenses.

The federal government does not directly regulate the marketing of most insurance products. However, some products, such as variable life insurance, must be registered under federal securities laws and therefore the entities selling these products must be registered with the National Association of Securities Dealers, Inc. We do not currently sell any federally regulated insurance products. If we elect to sell these federally regulated products in the future, we would be required to qualify for and obtain the required licenses and registrations. We cannot assure you that we will be able to obtain these licenses.

Further, we are subject to various federal laws and regulations affecting matters such as pensions, age and sex discrimination, financial services, securities and taxation. Congress recently passed legislation that provides for national licensing of insurance agents and brokers. The legislation provides an impetus for states to enact either uniform laws and regulations governing licensing of individuals and entities authorized to sell and solicit the purchase of insurance, as well as reciprocity laws and regulations governing the licensing of non resident individuals. This legislation and other future federal or state legislation could result in increased regulation of our business.

The future regulation of insurance sales via the Internet as a part of the new and rapidly growing electronic commerce business sector is unclear. We believe that we are currently in compliance with all of

these regulations. However, if additional state or federal regulations are adopted, they may have an adverse impact on us.

Employees

As of December 31, 2003, we had 51 employees. We have never had a work stoppage. Our employees are not represented by a collective bargaining unit. We consider our relations with our employees to be good. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial personnel, for whom competition is intense. If we acquire Life Quotes, we will have another approximately 85 employees.

Properties

Our executive, administrative and operating offices are located in approximately 19,000 square feet of leased office space in Darien, Illinois under a lease that expires on December 31, 2006. We believe that suitable office space will be available on commercially reasonable terms. The Life Quotes operation is based in a 43,000 square foot office building in Evergreen, Colorado, which is one the assets we would acquire at closing. There are no other tenants in the building, which has sufficient space to cover any anticipated expansion plans for the foreseeable future.

Legal Proceedings

From time to time we have been, and expect to continue to be, subject to legal and regulatory proceedings and claims in the ordinary course of business. Legal and regulatory proceedings and claims may include claims of alleged infringement of third party intellectual property rights, notices from state regulators that we may have violated state regulations, and litigation instituted by dissatisfied policy holders. These claims, even if without merit, could result in the significant expenditure of our financial and managerial resources. We are not aware of any such claims that we believe will, individually or in the aggregate, materially affect our business, financial condition or results of operations.

QUOTESMITH.COM FINANCIAL INFORMATION

Included in this proxy statement are our audited financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003.

QUOTESMITH.COM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Critical Accounting Policies

We generate revenues primarily from the receipt of commissions paid to us by insurance companies based upon the policies sold to consumers through our service. These revenues come in the form of first year, bonus and renewal commissions that vary by company and product. We recognize the full first year commission revenues on term life insurance after the insurance company approves the policy and accepts the initial premium payment. At the time revenue is recognized, an allowance is recorded based on historical information for estimated commissions that will not be received due to the non payment of installment first year premiums. We recognize commissions on all other lines of business after we receive notice that the insurance company has received payment of the related premium. First year commission revenues per policy can fluctuate due to changing premiums, commission rates, and types or amount of insurance sold. We receive bonuses based upon individual criteria set by insurance companies. We recognize bonus revenues when we receive notification from the insurance company of the bonus due to us. Bonus revenues are typically higher in the fourth quarter of our fiscal year due to the bonus system used by many life insurance companies. Revenues for renewal commissions are recognized after we receive notice that the insurance company has received payment for a renewal premium. Renewal commission rates are significantly less than first year commission rates and may not be offered by every insurance company. We also generate revenues from the receipt of fees paid by various sources that are tied directly to the volume of insurance sales or traffic that we produce for such third party entities. Our revenue recognition accounting policy has been applied to all periods presented in this proxy statement under the captions "Selected Financial and Other Data of Quotesmith.com" and "Unaudited Pro Forma Condensed Combined Financial Statements."

The timing between when we submit a consumer's application for insurance to the insurance company and when we generate revenues has varied over time. The type of insurance product and the insurance company's backlog are the primary factors that impact the length of time between submitted applications and revenue recognition. Over the past three years, the time between application submission and revenue recognition has averaged approximately four months. Any changes in the amount of time between submitted application and revenue recognition, of which a significant part is not under our control, will create fluctuations in our operating results and could affect our business, operating results and financial condition.

Operations expenses are comprised of both variable and semi variable expenses, including wages, benefits and expenses associated with processing insurance applications and maintaining our database and web sites. The historical lag between the time an application is submitted to the insurance companies and when we recognize revenues significantly impacts our operating results as most of our variable expenses are incurred prior to application submission.

Selling and marketing expenses consist primarily of direct advertising costs. The costs of communicating the advertising are expensed in the period the advertising is communicated.

We have established the 1997 Stock Option Plan, or the plan, to provide additional incentives to our employees, officers, and directors. Under the plan, an aggregate of 500,000 shares of Quotesmith.com common stock may be granted to participants in the plan. We account for stock option grants in accordance with Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations, and, accordingly, recognize no compensation expense for stock options granted to employees where the exercise price is equal to or greater than the market price at the date of the grant. Stock compensation accounting is discussed more fully in Notes 2 and 7 to the audited financial statements included elsewhere in this proxy statement.

We previously acquired selected assets of Insurance News Network, LLC, including its Web site, *www.insure.com*. The Insure.com web site at that time comprised an insurance news organization consisting of consumer insurance news, information, and decision-making tools. The cost of the acquisition included $1.4 million in cash, the grant of 50,000 stock options with an estimated fair value of $82,000, and expenses of $79,000. The acquisition was recorded using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired, intangible assets of $1,433,000 and furniture, equipment, and software of $128,000, based on the estimated fair values at the date of acquisition. Intangible assets are being amortized on a straight-line basis over three years.

No income tax credits have been recognized relating to our tax loss carryforwards due to uncertainties relating to future taxable income.

Results of Operations

Comparison of Years Ended December 31, 2003 and 2002

Revenues

Revenues decreased 10% to $9.7 million in 2003 from $10.8 million in 2002. This decrease is attributable to a 25% decrease in the number of policies sold, from 21,251 in 2002 to 15,856 in 2003. During the fourth quarter of 2002 and the first quarter of 2003, we implemented our online application technology for term life insurance business. While this technology streamlined the application process and eliminated the need to employ third party administrative firms to process applications on our behalf, leading to a significant reduction in operations expenses, we believe that many potential customers were unwilling to use this technology, possibly due in part to a reluctance to enter sensitive personal information online. We feel that this accounts for at least a significant portion of the decline in the number of policies sold in 2003, and has led us to provide quote and application facilities by phone. During the third quarter of 2003, we began calling some of our potential customers who started, but did not complete an on-line application. The result of these sample calls convinced us of the need for a call center that could call all customers with incomplete applications, as it became apparent that a significant number of them would buy a policy upon being called. It is our intention to have all of these potential customers called in the future. The decrease in policies sold was partially offset by a 21% increase in revenue per policy sold. In 2002, revenue per policy sold was $507. This figure increased to $614 in 2003, as we were able to obtain more favorable commission and bonus arrangements with some of our carriers. The additional life insurance revenue provided as a result of the Life Quotes acquisition may help us achieve higher production bonuses than some of our insurance carriers in the future, although the timing and amount of bonuses we receive are controlled by the amount of business we place with certain insurance carriers. There can be no assurance given that the Life Quotes acquisition will result in higher bonus revenues.

Expenses

Selling and Marketing. Selling and marketing expenses increased $1.8 million, or 63%, to $4.7 million in 2003 from $2.9 million in 2002. During 2003, we chose to increase marketing expenditures in order to support our new Insure.com brand name. As part of that increase, we placed advertisements on national radio in 2003, a strategy we had not employed in 2002. We were able to increase selling and marketing expenses because of the decrease in our operations expenses, described below. We also increased advertising spending during the year in an attempt to generate more leads and sales.

Operations. Operations expense decreased 56% to $3.4 million in 2003 from $7.8 million in 2002, and decreased as a percentage of revenue from 72% in 2002 to 35% in 2003. As mentioned above, the development and launch of our online application and order fulfillment technology in late 2002 and early 2003 allowed us to discontinue the use of third party administrators to process and complete life insurance applications. Also, effective October 31, 2002, the separate Insure.com editorial office was closed and the positions were transferred to our headquarters location, resulting in cost savings. We were also able to staff our operations center in our Darien, Illinois headquarters facility with fewer people in 2003 than in 2002. In addition, as discussed in Note 9 to the audited financial statements included elsewhere in this proxy statement, expense in 2002 included $337,000 for the write off of computer software.

General and Administrative. General and administrative expenses increased 5% from $3.2 million in 2002 to $3.3 million in 2003, and increased from 30% of revenues in 2002 to 34% of revenues in 2003.

Interest Income, Net

Interest income, net was $368,000 in 2003 compared to $359,000 in 2002. The components of interest income are as follows:

	Years ended December 31,	
	2003	**2002**

	Years ended December 31,	
Interest income	$ 376,243	$ 372,677
Interest expense	(8,290)	(14,002)
Interest income, net	$ 367,953	$ 358,675

There were also net realized gains on the sale of securities of $93,000 in 2003. There were no securities sales in 2002.

Income Taxes (Credit)

We had no income tax credit for 2003 and 2002 due to valuation allowances provided against net deferred tax assets.

Comparison of Years Ended December 31, 2002 and 2001

Revenues

Revenues increased 22% to $10.8 million in 2002 from $8.9 million in 2001. This increase is attributable to a 5% increase in the number of policies sold, from 20,282 in 2001 to 21,251 in 2002, as well as a 16% increase in revenue per policy sold. In 2001, revenue per policy sold was $436. This figure increased to $507 in 2002.

Expenses

Selling and Marketing. Selling and marketing expenses decreased $4.1 million, or 59%, to $2.9 million in 2002 from $7.1 million in 2001. During 2002, we chose to continue the reduction in marketing expenditures that began in 2001, as we have been able to generate more revenue with less marketing expense. In 2002, we were able to reduce our marketing expense per policy sold (total selling and marketing costs divided by the number of new policy sales) by 61%, to $137 per policy sold in 2002 from $348 per policy sold in 2001.

Operations. Operations expense increased 29% to $7.8 million in 2002 from $6.0 million in 2001, and increased as a percentage of revenue to 72% in 2002 from 68% in 2001. This increase resulted from the increased use of third party administrators to process and complete life insurance applications. There were also additional costs related to the maintenance and content development of the Insure.com website as a stand-alone operation for ten months in 2002 versus one month in 2001. Effective October 31, 2002, the Insure.com office was closed and the positions were transferred to our headquarters location. In addition, as discussed in Note 9 to the audited financial statements included elsewhere in this proxy statement, expense in 2002 included $337,000 for the write off of computer software.

General and Administrative. General and administrative expenses decreased 9% to $3.2 million in 2002 from $3.5 million in 2001, and decreased to 30% of revenues in 2002 from 40% of revenues in 2001. We reduced wages and payroll taxes by $858,000, but amortization of intangible assets increased $442,000 as a result of the acquisition of certain assets of Insurance News Network, LLC, on December 7, 2001.

Interest Income, Net

Interest income, net was $359,000 in 2002 compared to $1.1 million in 2001. The components of interest income are as follows:

	Years ended December 31,	
	2002	2001
Interest income	$ 372,677	$ 1,094,747
Interest expense	(14,002)	(19,052)
Interest income, net	$ 358,675	$ 1,075,695

	Years ended December 31,	

The decrease in net interest income is due primarily to a decrease in average invested assets in 2002, along with lower yields on fixed maturity investments.

Income Taxes (Credit)

We had no income tax credit for 2002 and 2001 due to valuation allowances provided against net deferred tax assets.

Liquidity and Capital Resources

We currently expect that the cash and fixed maturity investments of $15.2 million at December 31, 2003 will be sufficient to meet our anticipated cash requirements for at least the next 12 months, including the operations of the Life Quotes business subsequent to the effective date of the acquisition. However, the acquisition of substantially all of the assets of Life Quotes and the related real estate will be funded in large part by the proposed sale of approximately 2.4 million shares of our common stock to Zions, concurrent with the Life Quotes closing. The remainder of the acquisition will be funded from internal sources, although we may decide to obtain a mortgage loan on the building, depending on the terms and conditions available at the time.

The timing and amounts of our working capital expenditures are difficult to predict, and if they vary materially, we may require additional financing. If we require additional equity financing for operations beyond the sale of shares to Zions, it may be dilutive to our stockholders and the equity securities issued in a subsequent offering may have rights or privileges senior to our common stock. If debt financing is available, it may require additional restrictive covenants with respect to dividends, raising capital and other financial and operational matters, which could impact or restrict our operations. If we cannot obtain adequate financing on acceptable terms, we may be required to reduce the scope of our marketing or operations, which could harm our business, results of operations and our financial condition.

Our sources of funds will consist primarily from commissions and fee revenue generated from the sale of insurance products, investment income, and sales and maturity proceeds from our fixed maturity portfolio. The principal uses of funds are selling and marketing expenses, operations, general and administrative expenses, and acquisitions of furniture, equipment and software.

Cash used in operating activities was approximately $770,000, $520,000 and $7.5 million in 2003, 2002 and 2001, respectively, as shown in our statements of cash flows contained in the audited financial statements elsewhere in this proxy statement. The decrease in cash used in 2003 and 2002, compared to the amount used in 2001, was primarily a result of lower operating losses.

Cash used for investing activities totaling $247,000 in 2003 consisted of the purchase of fixed income investments in excess of investment maturities and sales of $182,000, and the purchase of