QUOTESMITH COM INC
Form 10-K
March 22, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the fiscal year ended December 31, 2003.

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from to .

QUOTESMITH.COM, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**36-3299423**
State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

8205 South Cass Avenue, Suite 102
Darien, Illinois 60561
(630) 515-0170

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)
Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class

Common Stock, $.003 par value
Preferred Stock Purchase Rights

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by a check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 121-2) o Yes ý No

Aggregate market value of the Registrant's voting stock held by non-affiliates on March 5, 2004, based on the closing price of said stock on the Nasdaq SmallCap Market on such date, was $11,237,052.

As of March 5, 2004, 4,958,232 shares of the Registrant's Common Stock, $.003 par value of the Registrant were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on April 22, 2004, to be filed pursuant to Regulation 14(A) are incorporated by reference into Part III of this Form 10-K.

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Because we want to provide you with more meaningful and useful information, this Annual Report on Form 10-K 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, Inc., or Life Quotes, and the related real estate;
- the benefits expected to result from the issuance of shares of Quotesmith.com common stock to Zions Bancorporation, or 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 this Annual Report on Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Factors that May Affect Our Future Operating Results," 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.

ITEM 1. BUSINESS

Overview

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.

We recently announced that we have signed a definitive agreement to acquire the assets of Life Quotes, Inc., an Evergreen, Colorado-based life insurance agency. We also reached agreement to sell 2.36 million shares of our common stock to Zions Bancorporation for $5.5 net per share, thus raising $13 million in new capital, which is contingent upon the closing of the Life Quotes acquisition. Zions will also appoint a member to our board.

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, Inc., 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. As more fully described in the proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 22, 2004, we have entered into an agreement to purchase selected assets of Life Quotes, and intend for it 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.

ITEM 2. 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 housed in a 43,000 square foot office building in Evergreen, Colorado, which is one of the assets we are acquiring at closing. There are no other tenants in the building, which has sufficient space to cover any anticipated expansion plans for the foreseeable future.

ITEM 3. 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.

ITEM 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of our stockholders during the quarter ended December 31, 2003.

ITEM 4(a). Executive Officers of the Registrant

The following table sets forth information regarding our executive officers and certain other key employees.

Name	Age	Position
Robert S. Bland	50	Chairman of the Board, President and Chief Executive Officer
William V. Thoms	51	Executive Vice President, Chief Operating Officer
Phillip A. Perillo	54	Senior Vice President, Chief Financial Officer
Richard C. Claahsen	39	Vice President, Corporate Secretary

Robert S. Bland has served as our Chairman of the Board, President and Chief Executive Officer since he founded Quotesmith.com in 1984. From 1979 to 1984, Mr. Bland was president and sole stockholder of Security Funding Corporation, an insurance agency. In March 1984, Mr. Bland sold Security Funding Corporation in order to raise capital to found Quotesmith.com. Mr. Bland holds a B.S. in marketing from the University of Colorado.

William V. Thoms has served as our Executive Vice President since 1994. From 1988 to 1993, Mr. Thoms was responsible for our operations and customer service departments. Mr. Thoms is a founding stockholder. Prior to joining us, Mr. Thoms was a sales manager for Western Dressing, Inc., a privately held salad dressing manufacturing company, from 1972 to 1987.

Phillip A. Perillo has served as our Senior Vice President and Chief Financial Officer since May of 2002. Mr. Perillo has over twenty years of insurance industry experience, with companies such as the Zurich American Insurance Group and BCS Life Insurance Company. Mr. Perillo holds an MBA in Finance from DePaul University and a B.S. in Accounting from the University of Illinois at Chicago.

Richard C. Claahsen has served as our Vice President of Regulatory Affairs since May 1999. From June 1997 to May 1999, Mr. Claahsen served as our director of regulatory affairs. From October 1996 to June 1997, he was a special agent with Northwestern Mutual Life Insurance Company. From 1993 to 1996, Mr. Claahsen was a litigation paralegal at Templeton & Associates of Chicago, Illinois. In 1999, Mr. Claahsen received his Chartered Life Underwriter designation from The American College of Bryn Mawr, Pennsylvania. Mr. Claahsen holds a B.A. and an M.A. in philosophy from the Catholic University of America and a J.D. from ITT Chicago Kent College of Law.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters.

All common stock and per share information in this annual report 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. As of March 5, 2004 the approximate number of record holders of our common stock was 1,400. The last sale price of our common stock on March 5, 2004 was $6.00. 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
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 we will enter with Zions Bancorporation, or Zions, upon consummation of the stock issuance will prohibit 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.

ITEM 6. Selected Financial Data.

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements,

related notes, and other financial information included in this annual report. 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)				

	Year Ended December 31,				
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
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)				
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	1,452,000	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	17,039
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.

	Quarter Ended			
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
2003				
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)

	Quarter Ended			
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
2002				
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)

Item 7. 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 "Selected Financial and Other Data."

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 accompanying financial statements.

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 online application. The results 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 to achieve higher production bonuses from 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 financial statements, 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**
Interest income	$ 376,243	$ 372,677

	Years ended December 31,	
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.

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 financial statements, 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

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 included in this report. 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 fixed assets of $65,000. Cash used for investing activities totaling $658,000 in 2002 consisted of the purchase of fixed income investments in excess of maturities of $556,000 and the purchase of fixed assets of

$102,000. Cash provided by investing activities totaling $8.5 million in 2001 consisted of net proceeds from the maturity and sale of investments totaling approximately $10.3 million, offset by purchases of fixed assets totaling $500,000 and purchases of intangibles in connection with the December 2001 Insurance News Network, LLC acquisition totaling $1.3 million.

Cash provided by financing activities in 2003 resulted from the exercise of employee stock options totaling $103,000, partially offset by payments of a capital lease obligation of $49,000. Cash used in financing activities in 2002 and 2001, was primarily the result of our stock buy back. During 2002, we bought back approximately 446,000 shares at an average cost of $2.69 per share. During 2001, we bought back approximately 582,000 shares at an average cost of $2.12 per share. We did not buy back any shares of our common stock in 2003.

Cash Flow Obligations

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2003.

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt obligations					
Capital lease obligations	49,322	49,322			
Operating lease obligations	832,212	272,497	562,715		

Payments due by Period

Purchase obligations

Factors that may Affect Our Future Operating Results

Risks Related 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

As more fully described in the proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 22, 2004, 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 advertisings. 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.

The former owner of Life Quotes has a limited non-competition agreement with us.

Upon closing, Kenneth Manley, the former owner of Life Quotes will have a non-competition agreement with us that will prevent him from competing with us for up to six years. However, the agreement allows Manley to form a life insurance agency with members of his family provided that he acts only as a general agent placing business through Quotesmith.com as managing general agent. He is limited to being able to produce a maximum of $2 million per year in commissionable premium, subject to annual inflationary adjustments. We do not expect this arrangement to adversely affect us, but it could result in Manley obtaining business that we might otherwise have obtained directly.

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.

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 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 our Life Quotes operation after we acquire the Life Quotes business. Many of these insurance companies have the ability to terminate their agency relationship with Life Quotes 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:

(1) 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;

(2) a public float of 500,000 shares;

(3) a market value of public float of $1,000,000;

(4) a minimum bid price of $1.00 per share;

(5) two market makers;

(6) 300 round lot shareholders; and

(7) 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 Quotesmith.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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain a portfolio

of cash and equivalents and investments in a variety of marketable securities, including both government and corporate obligations.

Substantially all of our investments are subject to interest rate risk. We consider all of our investments as available-for-sale. As of December 31, 2003, there were net unrealized losses of $69,184 on those investments. There were net unrealized gains on those investments totaling $82,494 at December 31, 2002.

We did not hold any derivative financial instruments as of December 31, 2003, and have never held such instruments in the past. Additionally, all our transactions have been denoted in U.S. currency and do not have any risk associated with foreign currency transactions.

Due to the short term nature of our investments, a 1% increase in interest rates would not decrease the fair market value of our investments by a material amount.

Item 8. Financial Statements and Supplementary Data

The financial statements are indexed in the Index to Financial Statements, which appear on Pages F-1 through F-15 hereof, and are incorporated in this Item by reference thereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There were no disagreements on accounting and financial disclosures.

Item 9A. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2003. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2003. There were no material changes in the Company's internal control over financial reporting during the fourth quarter of 2003.

PART III

Item 10. Directors and Executive Officers of the Registrant

The sections entitled "Management" and "Section 16(a) Beneficial Ownership Reporting Compliance" are incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 1, 2004. Information about our executive officers is set forth in Item 4(a) in Part I of this Report.

Code of Ethics

We have adopted a Code of Ethics which applies to all financial officers, including our Chief Executive Officer and our Chief Financial Officer. The Code of Ethics is filed as an exhibit to this Report. We believe our Code of Ethics is compliant with Item 406 of SEC Regulation S-K and the Nasdaq listing standards. Any waivers of the Code of Ethics must be approved by a committee of the Board of Directors comprised solely of independent directors. There have been no waivers to the Code of Ethics since its adoption.

Item 11. Executive Compensation

The sections entitled "Executive Compensation," excluding the Board Compensation Committee Report and the stock price performance graph, "Management Director Compensation"

"Management Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 1, 2004.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The section entitled "Principal Shareholders" is incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 1, 2004.

The following table sets forth the following information as of December 31, 2003: (i) the number of shares of our common stock to be issued upon the exercise of outstanding options, warrants and rights, (ii) the weighted-average exercise price of such options, warrants and rights and (iii) the number of shares of our common stock remaining available for future issuance under our equity compensation plans, other than the outstanding options, warrants and rights described above.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	218,332	$ 7.34	208,489
Equity compensation plans not approved by security holders			
Total	218,332	$ 7.34	208,489

Please see note 7 to the audited financial statements of Quotesmith.com included elsewhere in this Annual Report on Form 10-K for a description of the material features of the Quotesmith.com, Inc. 1997 Stock Option Plan.

Item 13. Certain Relationships and Related Transactions

The section entitled "Certain Relationships and Related Transactions" is incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2004 annual meeting of stockholders scheduled for April 22, 2004.

Item 14. Principal Accounting Fees and Services

Subject to ratification by the shareholders, the Audit Committee and the Board of Directors have selected Ernst & Young LLP to continue as independent auditors to audit the financial statements of the Company for the year ended December 31, 2004. Representatives of the firm of

Ernst & Young LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Audit Fees

The aggregate fees for each of the last two fiscal years for professional services rendered by Ernst & Young LLP for the audit of our annual financial statements and review of financial statements included in our Forms 10-Q were $200,901 in 2003 and $172,800 in 2002.

Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by Ernst & Young LLP that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under the caption "Audit Fees" were $15,431 in 2003 and $10,800 in 2002. The audit-related fees for 2003 involved consulting regarding acquisition accounting issues, and the audit-related fees for 2002 involved accounting disclosure regarding the Insurance News Network acquisition and assistance to our temporary chief accountant.

Tax Fees

For the last two years, there were no fees billed for professional services rendered by Ernst & Young LLP for tax compliance, tax advice and tax planning.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by Ernst & Young LLP, other than the services reported above, were $1,601 in 2003 and $1,500 in 2002. The fees were for use of the Ernst & Young online service.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee has delegated to the Chair of the Audit Committee the authority to approve permitted services provided that the Chair reports any decisions to the Committee at its next scheduled meeting.

All of the above services for 2003 were approved in advance by our Audit Committee, as required by the Audit Committee Charter.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K:

(a)

1. Financial Statements:

The financial statements, which appear on Pages F-1 through F-15 hereof, are indexed in the Index to Financial Statements and are incorporated herein by reference in this Item by reference thereto.

2. Financial Statement Schedules:

No schedules are required due to the absence of conditions under which they are required or because the required information is provided in the financial statements or notes thereto.

3.

Executive Compensation Plans and Arrangements.

The following management contracts or compensatory plans or arrangements are listed as exhibits to this annual report.

Quotesmith.com 1997 Stock Option Plan (as amended and restated March 29, 1999).
Quotesmith.com 1999 Employee Stock Purchase Plan.
Quotesmith.com 2004 Stock Option Plan.
Employment Agreement between the Company and Robert S. Bland, as amended.
Employment Agreement between the Company and William V. Thoms, as amended.

Employment Agreement between the Company and Phillip A. Perillo.
Form of Director Indemnification Agreement
See Exhibit Index (immediately following the signature pages) for exhibits filed with this annual report.

(b)

Reports on Form 8-K:

The Company filed a press release revising previously-issued earnings guidance on Form 8-K, dated October 2, 2003.
The Company filed its third quarter, 2003 earnings press release on Form 8-K, dated October 29, 2003.
The Company filed a press release revising previously-issued earnings guidance on Form 8-K, dated December 12, 2003.

(c)

Exhibits

See Exhibits Index (immediately following the signature pages).

(d)

Schedules

All required schedules are included.

QUOTESMITH.COM, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Quotesmith.com, Inc.

We have audited the accompanying balance sheets of Quotesmith.com, Inc. as of December 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quotesmith.com, Inc. at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
January 16, 2004
Except Note 10, as to which the date is
March 3, 2004

QUOTESMITH.COM, INC.

BALANCE SHEETS

	December 31,	
	2003	**2002**
ASSETS		
Cash and equivalents	$ 676,728	$ 1,639,909
Fixed maturity investments available for sale at fair value *(Note 3)*	4,204,150	8,823,890
Commissions receivable, less allowances (2003 $176,000; 2002 $197,000)	1,062,534	1,125,544
Other assets	423,715	324,686
Total current assets	6,367,127	11,914,029
Fixed maturity investments available for sale at fair value *(Note 3)*	10,345,555	5,843,988
Furniture, equipment, and computer software at cost, less accumulated depreciation (2003 $2,859,000; 2002 $2,284,000)	375,177	885,469
Intangible assets at cost, less accumulated amortization (2003 $995,000; 2002 $517,000) *(Note 2)*	437,761	915,317
Total assets	$ 17,525,620	$ 19,558,803

	December 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 760,005	$ 1,428,601
Total current liabilities	760,005	1,428,601
Long-term capital lease obligations *(Note 5)*		35,018
Total liabilities	760,005	1,463,619
Commitments and contingencies *(Note 8)*		
Stockholders' equity *(Notes 6 and 7)*:		
Common stock, $.003 par value; shares authorized: 60,000,000; shares issued: 2003 7,317,573; 2002 7,268,072	21,953	21,804
Additional paid-in capital	64,075,686	63,972,732
Retained-earnings deficit	(43,468,855)	(42,187,861)
Treasury stock at cost: 2,359,341 shares	(3,793,985)	(3,793,985)
Accumulated other comprehensive income (loss)	(69,184)	82,494
Total stockholders' equity	16,765,615	18,095,184
Total liabilities and stockholders' equity	$ 17,525,620	$ 19,558,803

See accompanying notes.

QUOTESMITH.COM, INC.

STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2003	**2002**	**2001**
Revenues:			
Commissions and fees *(Note 1)*	$ 9,717,810	$ 10,631,467	$ 8,743,286
Other	19,034	145,327	107,249
Total revenues	9,736,844	10,776,794	8,850,535
Expenses:			
Selling and marketing *(Note 2)*	4,735,438	2,912,547	7,051,893
Operations *(Notes 7 and 9)*	3,393,936	7,755,693	6,004,239
General and administrative *(Note 7)*	3,348,968	3,193,797	3,503,173
Total expenses	11,478,342	13,862,037	16,559,305
Operating loss	(1,741,498)	(3,085,243)	(7,708,770)
Interest income, net *(Note 2)*	367,953	358,675	1,075,695

	Years Ended December 31,		
Realized gain on sale of securities	92,551		
Loss before income taxes	(1,280,994)	(2,726,568)	(6,633,075)
Income tax credit *(Note 4)*			
Net loss	$ (1,280,994)	$ (2,726,568)	$ (6,633,075)
Net loss per common share, basic and diluted	$ (0.26)	$ (0.55)	$ (1.22)
Weighted average common shares and equivalents outstanding, basic and diluted	4,917,314	4,964,500	5,441,039

See accompanying notes.

QUOTESMITH.COM, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock						
	Number of Shares Issued	**Par Value**	**Additional Paid-In Capital**	**Retained-Earnings Deficit**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
2001:							
Balance at January 1	7,253,570	21,761	63,836,873	(32,828,218)	(1,360,313)	(2,798)	29,667,305
Net loss				(6,633,075)			(6,633,075)
Other comprehensive gain unrealized gain on investments						22,894	22,894
Total comprehensive loss							(6,610,181)
Stock options issued in connection with acquisition (See Note 1)			82,250				82,250
Purchase of 581,624 treasury shares					(1,235,030)		(1,235,030)
Employee stock compensation			10,938				10,938
Balance at December 31	7,253,570	21,761	63,930,061	(39,461,293)	(2,595,343)	20,096	21,915,282
2002:							
Net loss				(2,726,568)			(2,726,568)
Other comprehensive gain unrealized gain on investments						62,398	62,398
Total comprehensive loss							(2,664,170)
Purchase of 446,050 treasury shares					(1,198,642)		(1,198,642)

	Common Stock						
Proceeds from sale of common stock:							
exercise of stock options	14,502	43	26,711				26,754
Employee stock compensation			15,960				15,960
Balance at December 31	7,268,072	$ 21,804	$ 63,972,732	$ (42,187,861)	$ (3,793,985)	$ 82,494	$ 18,095,184
2003:							
Net loss				(1,280,994)			(1,280,994)
Other comprehensive loss unrealized loss on investments						(151,678)	(151,678)
Total comprehensive loss							(1,432,672)
Proceeds from sale of common stock:							
exercise of stock options	49,501	149	102,954				103,103
Balance at December 31	7,317,573	$ 21,953	$ 64,075,686	$ (43,468,855)	$ (3,793,985)	$ (69,184)	$ 16,765,615

See accompanying notes.

QUOTESMITH.COM, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2003	**2002**	**2001**
Cash flows from operating activities:			
Net loss	$ (1,280,994)	$ (2,726,568)	$ (6,633,075)
Adjustments to reconcile to net cash used by operating activities:			
Depreciation expense	575,171	924,700	760,136
Amortization	626,468	339,253	(157,759)
Impairment of computer software		336,582	
Accounts payable and accrued liabilities	(654,292)	422,654	(1,852,324)
Commissions receivable	63,010	225,958	189,013
Stock compensation		15,960	10,938
Other assets	(99,029)	(58,267)	232,745
Net cash used by operating activities	(769,666)	(519,728)	(7,450,326)
Cash flows from investing activities:			
Purchase of investments	(14,199,621)	(23,455,781)	(21,263,056)
Proceeds from investment maturities	7,800,000	22,900,000	29,100,000
Proceeds from sales of investments	6,217,204		2,500,000
Purchase of intangible assets			(1,350,421)

	Years Ended December 31,		
Purchase of furniture, equipment and software	(64,879)	(102,276)	(498,557)
Net cash provided (used) by investing activities	(247,296)	(658,057)	8,487,966
Cash flows from financing activities:			
Proceeds from issuance of common stock	103,103	26,754	
Purchase of treasury stock		(1,198,642)	(1,235,030)
Payment of capital lease obligation	(49,322)	(43,610)	(38,559)
Net cash provided (used) by financing activities	53,781	(1,215,498)	(1,273,589)
Net decrease in cash and equivalents	(963,181)	(2,393,283)	(235,949)
Cash and equivalents at beginning of year	1,639,909	4,033,192	4,269,141
Cash and equivalents at end of year	$ 676,728	$ 1,639,909	$ 4,033,192

See accompanying notes.

QUOTESMITH.COM, INC.

NOTES TO FINANCIAL STATEMENTS

1. Description of Business

Quotesmith.com, Inc. (the Company) is an insurance agency and brokerage. The Company owns and operates a comprehensive online consumer insurance information service, accessible at www.Insure.com, which caters to the needs of self-directed insurance shoppers. Since its inception in 1984, the Company has 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. The Company uses this database to provide customers with a large array of comparative life and health insurance quotes online, over the phone or by mail, and allows the customer to purchase insurance from the insurance company of their choice either online or over the phone with the Company's licensed insurance customer service staff. The Company's website also provides insurance information and decision-making tools, among with access to other forms of personal insurance, such as auto, homeowners, renters, long-term care and travel insurance through various partners. The Company generates 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. The Company conducts its insurance agency and brokerage operations primarily using salaried, non-commissioned personnel and generates prospective customer interest using traditional direct response advertising methods conducted primarily offline.

On December 7, 2001, the Company 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, 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.

The accompanying financial statements reflect the operations of Insurance News Network, LLC, from the date of acquisition. The following table presents unaudited pro forma results as if the acquisition had occurred at the beginning of 2001.

	2001

		2001
Year Ended December 31, 2001 (in thousands, except per share data)		
Total revenues	$	10,179
Net loss		(7,341)
Net loss per common share, basic and diluted	$	(1.35)

The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred at the beginning of the respective years, nor is it necessarily indicative of future operating results.

In the period covered in the accompanying financial statements, the Company's primary revenue source has been commissions derived from the sale of individual term life insurance. Applications are underwritten and commissions are received from numerous life insurance companies. Revenues from some of these companies have exceeded ten percent of the Company's total revenues. In 2001, these included two companies with revenues of $1.1 million and $975,000. In 2002 and 2003, there were no

companies that provided more than ten percent of the Company's total revenues. The Company's business represents one business segment.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change, as more information becomes known, which could impact the amounts reported and disclosed herein.

Revenue Recognition

The Company recognizes annual first year commissions for term-life business as revenues when the policy has been approved by the underwriter and an initial premium payment (which may be annual, semi-annual, quarterly, or monthly) has been made by the customer. An allowance is provided for estimated commissions that will not be received due to the nonpayment of installment first year premiums.

Revenues on all other lines of business, as well as for renewal and bonus commissions and other revenues, are recognized when the Company receives notification that such revenues have been earned.

Advertising Costs

Selling and marketing expenses in the accompanying financial statements are comprised of advertising costs. The costs of producing advertising are expensed in the first period that the advertising takes place. The costs of communicating the advertising are expensed in the period the advertising is communicated.

Investments

The Company classifies its fixed maturity investments as available-for-sale and, accordingly, such investments are carried at fair value. The cost of fixed maturity investments is adjusted for amortization of premiums and discounts and for declines in value that are other than temporary. Temporary changes in the fair values of investments are reflected directly in stockholders' equity as accumulated other comprehensive income or loss net of income taxes with no effect on net income or loss. Realized gains or losses are calculated using the specific identification method.

Cash and Equivalents

Money market and certificate of deposit investments are included as part of cash and equivalents.

Stock Compensation

The Company uses the intrinsic value method to measure compensation expense, if any, relating to stock options. Any compensation expense is determined at the date of grant, or the date of subsequent modification to option terms, based on any excess of the fair value of the related shares over the exercise price, and amortized over the options' vesting periods.

Furniture, Equipment, and Computer Software

Furniture, equipment, and capitalized application development costs of internal-use computer software are depreciated over useful lives of three to five years using principally the straight-line method of depreciation. Repair and maintenance costs are charged to expense as incurred.

Intangible Assets

Intangible assets represent the value assigned to the acquired insure.com Web site and are being amortized on a straight-line basis over three years. Amortization expense was $480,000 in 2002, $480,000 in 2003 and is expected to be $435,000 in 2004.

Assets Held under Capital Lease

Assets held under capital leases are recorded at the net present value of the minimum lease payments at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Treasury Stock

The cost of reacquiring the Company's common stock is reported as a separate component of stockholders' equity.

Income Taxes

Deferred income taxes are determined based on the temporary differences between financial reporting and tax bases of assets and liabilities and the effect of net operating loss carryforwards, and are measured using enacted tax rates.

Non-operating Income and Expense

Interest income, net in the accompanying statements of operations includes the following:

	Years ended December 31,		
	2003	2002	2001
Interest income	$ 376,243	$ 372,677	$ 1,094,747
Interest expense	(8,290)	(14,002)	(19,052)
Interest income, net	$ 376,953	$ 358,675	$ 1,075,695

In 2003, the Company realized gains of $93,000 on the sale of fixed maturity investments.

Net Loss Per Share

Basic and diluted net loss per share reflects net loss divided by the weighted average number of common shares outstanding. Diluted net loss per share does not include the effect of common share equivalents because the effect would be antidilutive.

Comprehensive Income or Loss

Comprehensive loss includes net loss and unrealized gain or loss on investments, as follows:

	Years ended December 31,		
	2003	2002	2001
Unrealized gain (loss) on investments	$ (59,127)	$ 62,398	$ 22,894
Less: Reclassification adjustment for realized gains included in income	(92,551)		
Other comprehensive gain (loss)	$ (151,678)	$ 62,398	$ 22,894

Stock Options

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations, and, accordingly, recognizes 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. SFAS 123, "Accounting for Stock Based Compensation", requires disclosure of pro forma information regarding net income (loss) per share, using pricing models to estimate the fair value of stock option grants. Had compensation expense for the Company's stock option plans been determined based on the estimated fair value at the date of grant consistent with the methodology prescribed under SFAS 123, approximate net loss and net loss per share would have been as follows:

	Years Ended December 31,		
	2003	2002	2001
	(in thousands, except per share data)		
Net loss as reported	$ (1,281)	$ (2,727)	$ (6,633)
Add back stock compensation, as reported		16	11
Less pro forma stock compensation using fair value method	(147)	(235)	(374)
Pro forma net loss	$ (1,428)	$ (2,946)	$ (6,996)
Pro forma net loss per common share, basic and diluted	$ (0.29)	$ (0.59)	$ (1.29)

3. Investments

Investments are classified as available-for-sale securities and are reported at fair value, as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2003:				
U.S. Government agency bonds	$ 1,689,944	$ 8,095	$	$ 1,698,039
Corporate bonds and commercial paper	12,928,945	51,218	128,497	12,851,666
Total	$ 14,618,889	$ 59,313	$ 128,497	$ 14,549,705

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2002:				
U.S. Government agency bonds	$ 7,526,079	$ 21,821	$ 729	$ 7,547,171
Corporate commercial paper	7,059,305	66,571	5,169	7,120,707
Total	$ 14,585,384	$ 88,392	$ 5,898	$ 14,667,878

As of December 31, 2003, investments maturities are as follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 4,179,444	$ 4,204,150
Due in 1-2 years	5,306,106	5,330,641
Due in 2-4 years	5,133,339	5,014,914
Total	$ 14,618,889	$ 14,549,705

4. Income Taxes

A reconciliation of income taxes (credit) based on the federal tax rate to amounts reported in the statements of operations is as follows:

	Years Ended December 31,		
	2003	2002	2001
Pre-tax loss times federal rate	$ (436,000)	$ (927,000)	$ (2,255,200)
State income tax credit	(61,000)	(130,900)	(318,400)
Increase in valuation allowance	554,000	966,000	2,540,000
Stock compensation	0	6,200	4,200
Other	(57,000)	85,700	29,400
Income tax credit	$	$	$

Deferred income taxes reflect the net tax effect of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and the effect of net operating loss carryforwards.

Significant components of the Company's deferred tax assets and liabilities are as follows

	December 31,	
	2003	2002
Deferred tax liabilities other assets	$ 0	$ 32,000
Deferred tax assets:		
Net operating loss carryforwards	16,097,000	15,759,000
Unamortized cash to accrual adjustment	0	243,000

	December 31,	
Depreciation and amortization	600,000	199,000
Other	138,000	112,000
Total gross deferred tax assets	16,835,000	16,313,000
Valuation allowance	(16,835,000)	(16,281,000)
Net deferred tax assets	0	32,000
Net deferred tax amounts	$	$

As of December 31, 2003, the Company had net operating loss carryforwards of approximately $41,488,000 available to offset future taxable income, which expire in 2006 to 2023. There were no income taxes paid or recovered in 2001, 2002 or 2003.

5. Obligations under Capital Lease

Furniture, equipment and computer software at December 31, 2003 and 2002 includes gross assets acquired under capital lease of $196,000. Related amortization included in accumulated depreciation

was $142,000 and $103,000 at December 31, 2003 and 2002, respectively. Amortization of assets under capital lease is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of December 31, 2003 are as follows:

Year Ending December 31,	Amount
2004	$ 37,040
Imputed interest	(2,023)
Present value of net minimum lease payments	35,017
Current lease obligation	(35,017)
Long-term lease obligations	$

6. Stockholders' Equity

Stock Split

On March 5, 2001, the Board of Directors of the Company approved a one-for-three reverse stock split and a change of par value from $.001 to $.003, effective on March 7, 2001. In the accompanying financial statements and related notes, all share and per share amounts were retroactively adjusted to reflect the stock split. The components of stockholders' equity were not affected by these changes.

Treasury Stock

As of December 31, 2003, the Company is authorized to repurchase 652,000 additional shares of its common stock.

Private Placement and Related Party Transactions

In 1999, the Company sold 333,333 shares of its common stock to a company (the Investor) for proceeds of $3,000,000 in a private placement and sold 90,909 shares of its common stock to the Investor for proceeds totaling $3,000,000 in the initial public offering. In 2001, the Company repurchased its shares from the Investor.

Employee Stock Purchase Plan

The Company has a plan under which employees could purchase shares of the Company's common stock through payroll deductions of up to 10% of each employee's compensation. Shares may be purchased at 85% of the lower of the fair value of the common stock on the first or the last day of each six-month offering period. The Company reserved 83,333 shares for purchase under the plan, of which 63,929 were available at December 31, 2003.

Preferred Stock

The Company has 5,000,000 authorized shares of $0.001 par value preferred stock. No shares have been issued.

Stockholder Rights Plan

One preferred stock purchase right is outstanding for each outstanding share of the Company's common stock, and the Company intends to issue those rights along with future issuances of common shares. The rights become exercisable only if a person or group acquires or announces the intent to acquire 15% or more of the Company's common stock. Prior to the rights becoming exercisable, the Company may redeem the rights for $0.03 per right. If the rights become exercisable, the Company

may exchange each right for one share of common stock providing that 50% of the Company has not been acquired. The rights expire in 2009.

If the rights become exercisable and they have not been exchanged, holders of each right, other than the acquiring person or group, would be entitled to acquire three hundredths of a share of the Company's preferred stock at an exercise price equal to five times the initial offering price of the Company's common stock. If issued, each preferred share would entitle the holder to cumulative quarterly dividends of the greater of $1.00 per share or 33.3 times the common share dividends. The preferred shareholders would receive 33 votes per share and have a liquidation preference of $0.333 per share over the common shares.

In lieu of purchasing preferred shares, holders of each right, other than the acquiring person or group, on payment of the exercise price, would be entitled to acquire the number of shares of the Company's common stock or other assets with a value of two times the exercise price. In addition, if 50% of the Company is acquired, the holders of each right would be entitled to acquire the number of shares of the acquiring company's common stock having a value of two times the exercise price.

7. Stock Options

The Company has established a stock option plan (the Plan) to provide additional incentives to its employees, officers, and directors. Under the Plan, an aggregate of 500,000 shares of common stock may be granted to participants in the Plan.

For purposes of the pro forma disclosures presented in Note 2, the estimated fair values of the option grants are amortized to expense over the options' vesting period. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model for grants made subsequent to the Company's initial public offering in August 1999, and the minimum value method in all prior periods, with the following weighted-average assumptions:

	Years Ended December 31,		
	2003	**2002**	**2001**
Dividend yield	None Issued	0.0%	0.0%
Risk-free interest rate		2.5%	4.5%
Volatility		93.5%	105.3%
Expected life (years)		5.0	5.0 to 7.0

In 2002 and 2001, the Company recorded compensation expense of $15,960 and $10,938, respectively relating to stock options granted below the estimated fair value of the Company's common stock, with a corresponding credit to additional paid-in capital. There were no stock options granted below the estimated fair value of the Company's common stock in 2003.

Transactions related to all stock options are as follows:

	Years Ended December 31,					
	2003		2002		2001	
	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
Beginning Balance	360,047	$ 6.28	712,131	$ 7.03	377,996	$ 19.86
Granted with exercise price equal to stock value			156,500	3.04	522,000	2.00
Exercised	(49,501)	2.08	(14,502)	1.84		
Forfeited	(42,214)	4.51	(494,082)	6.41	(187,865)	19.03
Outstanding	268,332	$ 7.34	360,047	$ 6.28	712,131	$ 7.03
Exercisable at end of year	165,999		129,538		164,056	

Of the options granted in 2001, 50,000 options, with an exercise price of $2.00 per share, were issued as part of the cost of the acquisition discussed in Note 1. Of the options outstanding at December 31, 2003, 25,000, with an exercise price of $2.00 per share, vest in 2007. All of the remaining unexercisable options vest in 2003 and 2004.

Information regarding options outstanding and exercisable at December 31, 2003 is summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
$ 1.25	6,500	7.25	$ 1.25	2,000	$ 1.25
$2.00 - $ 2.78	62,833	7.92	2.13	30,000	2.13
$2.99 - $ 6.38	152,999	7.64	3.84	87,999	4.20
$9.00 - $10.32	11,667	5.34	9.11	11,667	9.11
$33.00	34,333	5.59	33.00	34,333	33.00
	268,332	7.34	$ 7.34	165,999	$ 10.09

The options have terms of ten years. Under the Company's Plan, 208,489 shares were available for grant as awards or options at December 31, 2003.

The weighted average fair value per share of options granted were as follows:

2003	2002	2001

None Issued	$ 2.20	$ 1.64

8. Commitments and Contingencies

As of December 31, 2003, the Company leases office space in Darien, IL under an operating lease agreement in which the Company is committed to rent expense of approximately $272,000 in 2004, $278,000 in 2005 and $284,000 in 2006. In addition, the Company must pay its proportionate share of taxes and operating costs for the Darien lease site.

Rent expense was $320,000 in 2001, $428,000 in 2002 and $286,000 in 2003.

The Company has employment agreements with two of its executives under which the Company would be required to pay severance of one to two years of annual salary to terminate those agreements. The Company has an employment agreement with one additional executive under which the Company would be required to pay severance of one year of annual salary in the event of a change in control.

The Company is subject to legal proceedings and claims in the ordinary course of business. The Company is not aware of any legal proceedings or claims that are believed to have a material effect on the Company's financial position.

9. Computer Software

In connection with its auto insurance brokerage business, the Company had developed an auto rating engine and order fulfillment technology that was launched in January 2002. However, the Company was unable to secure an adequate number of agency appointments and the handling costs of this business were higher than anticipated. Therefore, in the third quarter of 2002, the Company discontinued the use of this software in favor of using an outsourced technology solution. This decision resulted in an impairment of $337,000 representing the entire remaining amount of these computer software costs, included in operations expenses in 2002.

10. Subsequent Events

On March 1, 2004, the Company signed an agreement to acquire selected assets of Life Quotes, Inc. for $18,400,000, subject to closing conditions, which include approval of the transaction by the Company's shareholders. Life Quotes is an Evergreen, Colorado-based life insurance brokerage that markets term life insurance utilizing direct response marketing methods combined with a call center staffed with licensed agents. The Company believes that this acquisition provides an important capability that had been missing from its business model, that is, the ability to service customers by telephone in addition to its internet-based service. Allocation of the purchase price to the assets acquired has not yet been completed, pending an independent valuation of those assets. For the year ended December 31, 2003, Life Quotes had revenues of approximately $10 million and net income of approximately $1 million.

On the same date, the Company signed an agreement to sell 2.36 million shares of its common stock to Zions Bancorporation for $5.50 net per share, thus raising $13 million in new capital to be used by the Company to fund part of the Life Quotes acquisition cost. The investor rights agreement we will enter with Zions, upon consummation of the stock issuance will prohibit us from paying cash dividends on our common stock unless certain conditions are met. This agreement is also subject to shareholder approval. Quotesmith.com intends to fund the remainder of the purchase price by using cash on hand and/or mortgage debt.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 18, 2004.

QUOTESMITH.COM, INC.

By: /s/ ROBERT S. BLAND

Name: Robert S. Bland,
Title: *Chairman, President and Chief Executive Officer*

POWER OF ATTORNEY

Know all men by these presents that each person whose signature appears below constitutes and appoints Robert S, Bland and William V. Thoms and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or he substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 18, 2004:

Signature	Title
/s/ ROBERT S. BLAND Robert S. Bland	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ WILLIAM V. THOMS William V. Thoms	Executive Vice President, Chief Operating Officer, and Director
/s/ PHILLIP A. PERILLO Phillip A. Perillo	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ BRUCE J. RUEBEN Bruce J. Rueben	Director
/s/ TIMOTHY F. SHANNON Timothy F. Shannon	Director
/s/ JEREMIAH A. DENTON, JR. Jeremiah A. Denton, Jr.	Director
/s/ RICHARD F. GRETSCH Richard F. Gretsch	Director

EXHIBITS

FORM 10-K

INDEX TO EXHIBITS

Exhibit Number	Description of Document

3.1	Restated Certificate of Incorporation of Company.
3.2	Amended and Restated By-Laws of the Company.
4.3	Form of Rights Agreement.
4.3(a)	Certificate of Designation, Preferences and Rights.
10.1	Quotesmith.com 1997 Stock Option Plan (as amended and restated March 29, 1999) of Registrant
10.2	Quotesmith.com 1999 Employee Stock Purchase Plan.
10.3	Employment Agreement between the Company and Robert S. Bland.
10.4	Employment Agreement between the Company and William V. Thoms.
10.5	Employment Agreement between the Company and Phillip A. Perillo.
10.6	Form of Director Indemnification Agreement.
10.7	Lease dated as of August 1994, between the Company and LaSalle National Trust N.A.
10.8	Lease Amendment Agreement dated as of November 1995, between the Company and LaSalle National Trust N.A.
10.9	Lease Amendment Agreement as of September 1997, between the Company and LaSalle National Trust N.A.
10.10	Lease Amendment Agreement dated as of July 1998, between the Company and LaSalle National Trust N.A..
10.11	Services Agreement, dated as of September 9, 1998, by and between the Company and Intuit Insurance Services, Inc.
10.12	Investor Rights Agreement, dated February 10, 1999, between the Company and Intuit Inc.
10.13	Stock Purchase Agreement, dated as of March 1, 2004, between the Company and Zions Bancorporation
10.14	Investor Rights Agreement, dated as of March 1, 2004, between the Company, Zions Bancorporation, Robert S. Bland and William V. Thom
10.15	Amendment and Waiver to July 7, 1999 Employment Agreement between the Company and with Robert S. Bland (12/15/03), dated March 1, 2004
10.16	Amendment and Waiver to July 7, 1999 Employment Agreement between the Company and William V. Thoms (2/10/03), dated March 1, 2004
10.17	Asset Purchase Agreement, dated as of January 31, 2004, by and among the Company, Life Quotes Acquisition, Inc., Life Quotes, Inc. and Kenneth L. Manley
10.18	Real Estate Purchase and Sale Agreement, dated as of January 31, 2004, between Life Quotes Acquisition, Inc. and The Kenneth L. Manley Revocable Trust dated as of June 10, 1987
10.19	Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan (filed herewith)
21.0	Subsidiaries of the Company
23.1	Consent of Ernst & Young LLP (filed herewith)
24.0	Powers of Attorney (See Signature Page to this Report)

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer, Pursuant to Section 1350 of Title 18 of the United States Code
32.2	Certification of Chief Financial Officer, Pursuant to Section 1350 of Title 18 of the United States Code
99.1	Code of Ethics (filed herewith)

Incorporated by reference to the Company's Current Report on Form 8-K, filed March 4, 2004.

Incorporated by reference to the Company's Registration statement on Form S-1 (Registration no. 333-79355), initially filed with the Securities and Exchange Commission on May 26, 1999, as amended.

Incorporated by reference to the Company's 2002 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 26, 2003.

QuickLinks