INSWEB CORP
Form 10-K405
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

FORM 10-K

(Mark One)

ý **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001**

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________**

Commission File Number 0-26083

INSWEB CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**94-3220749**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

11290 Pyrites Way, Gold River, California 95670
(Address of principal executive offices)

(916) 853-3300
(Registrant's telephone number, including area code)

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

Title of each class	Name of Exchange on which registered
None	None

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

Common Stock, $0.001 par value
(Title of Class)

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 Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o

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 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

The aggregate market value of registrant's voting and non-voting common equity held by nonaffiliates of registrant, based upon the closing sale price of the common stock on March 22, 2002, as reported on the Nasdaq National Market, was approximately $12,648,938. Shares of common stock held by each officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Outstanding shares of registrant's common stock, $0.001 par value, as of March 22, 2002: 7,029,524

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the definitive Proxy Statement for registrant's 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report are incorporated by reference into Part III of this Form 10-K Report.

PART I

This report includes a number of forward-looking statements. Such statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially from what we say in this report. These factors include, but are not limited to, our ability to generate significant revenues from our core business; our ability to achieve or maintain profitability; our reliance on automobile insurance; our ability to expand our operations; our reliance on a limited number of insurance companies for our current revenues; and our success in developing and maintaining cost efficient online relationships to attract consumers to our website. We more fully discuss these and other risk factors in "Item 7 Management's Discussion and Analysis of Financial Condition and Operating Results Factors That May Affect Our Future Performance" and elsewhere in this report and in our other filings with the Securities and Exchange Commission.

Item 1. Business.

The InsWeb Online Insurance Marketplace

InsWeb Corporation operates a leading online insurance marketplace that enables consumers to comparison shop online and obtain insurance company-sponsored quotes for a variety of insurance products, including automobile, term life and homeowners. InsWeb's marketplace capitalizes upon the advantages of the Internet to electronically match consumers and insurance companies, providing consumers with the insurance they need and insurance companies with the customers they want. InsWeb has combined extensive knowledge of the insurance industry, technological expertise and close relationships with a significant number of insurance companies to develop a sophisticated, integrated online marketplace. InsWeb's marketplace enables consumers to efficiently research insurance-related topics, search for, analyze and compare insurance products, apply for and receive insurance company-sponsored quotes for actual coverage and to purchase automobile insurance coverage through InsWeb's insurance agency. In addition, InsWeb provides insurance companies with pre-qualified consumers at substantially lower acquisition costs, as well as the scalable, cost-efficient distribution capabilities of InsWeb's Internet-based model.

The Quote Generation and Purchase Process

The quote generation and purchase process involves the following steps:

- data entry by the consumer;
- electronic underwriting;

- electronic rating and generation of price quotes;
- presentation of quotes to the consumer;
- delivery of leads to InsWeb's agency and/or a participating insurance company; and
- purchase of the insurance policy.

Quotes obtained through the online marketplace are free to consumers, while participating insurance companies pay transaction fees to InsWeb generally based on the delivery of qualified leads, or a commission from the sale of an insurance policy through InsWeb's insurance agency, InsWeb Insurance Services, Inc.

Data Entry. To initiate a shopping session, a consumer completes an online form that requests information such as the consumer's age, address and coverage requirements, a process that InsWeb estimates takes approximately 10 to 25 minutes, depending on the type of insurance sought and the complexity of the consumer's profile. The quote form captures a comprehensive set of information designed to address each of the participating insurance companies' underwriting and rating criteria. To assist consumers in evaluating and fulfilling their insurance needs, InsWeb provides consumers a variety of interactive website features and insurance-related information. In addition, InsWeb provides online help and customer service throughout the data entry process. The consumer is required to complete only one form to obtain quotes for a particular type of insurance from those participating companies offering that type of insurance in the consumer's state who have qualified that consumer. Throughout the data entry process, consumers are presented with the option of saving their data into their personal insurance profile. Consumers who are returning to the online marketplace can simply enter their user name and password to retrieve information they entered during previous visits. This information can be used to automatically complete portions of the quote form for other insurance products. Because the information insurance companies use to underwrite, rate and provide quotes to a consumer is entered directly by the consumer, the insurance companies can reduce or eliminate the expense associated with collecting consumer data. Moreover, information entered directly by consumers typically contains fewer errors than information provided orally to an agent or insurance company representative, who must then enter that information manually into the insurance company's system.

Underwriting. InsWeb's software uses criteria set by each participating insurance company to analyze a consumer's data and determine whether it fits within the insurance company's targeted risk profile. InsWeb's system can provide rapid feedback to an insurance company regarding the impact that particular criteria are having on the number of leads being directed to that company, and also permits individual criteria to be easily added or removed. Electronic underwriting eliminates the expense of screening and quoting risks that an insurance company ultimately may not want to accept. Electronic underwriting also ensures that consumers are only presented with quotes from companies who are interested in doing business with them.

Rating. InsWeb integrates each of its participating insurance companies' rating criteria into its online marketplace through one of several rating solutions, depending on the insurance company's preference. These solutions include:

- a customized interface between InsWeb's site and the insurance company's own rating engine;
- an interface between InsWeb's site and a third-party rating engine; or
- an integration of the insurance company's rating criteria into one of InsWeb's proprietary rating engines.

In each case, the rating process is developed in conjunction with the participating insurance company.

Presentation of Quotes. After a consumer has completed the form for a particular product and has requested quotes, the consumer is presented with a "quote pad." The quote pad contains the logos of insurance companies interested in providing quotes, along with prices for the insurance companies offering instant quotes. The quote pad also informs the consumer which insurance companies will provide quotes on a delayed basis, either via e-mail, mail or telephone. The response method varies among insurance products and companies. Currently, all term life and the majority of automobile quotes are provided through instant quotes. InsWeb is working with its participating insurance companies to increase implementation of instant quoting capability.

Delivery of Leads. InsWeb's participating insurance companies pay transaction fees to InsWeb generally based on the delivery of qualified leads. Qualified leads are produced in two ways: for insurance companies providing instant online quotes, a qualified lead is produced when a consumer clicks to request insurance coverage based on a specific quote; for insurance companies providing e-mail or other offline quotes, a qualified lead is produced when a consumer clicks to request the quote itself. In either case, InsWeb is paid a transaction fee whether or not the consumer actually purchases a policy. Once a lead is generated by the consumer's request for an application or offline quote, InsWeb transmits the lead either to InsWeb Insurance Services, or to the selected insurance company by e-mail, file transfer or direct connection to the insurance company's information system.

InsWeb provides each participating insurance company with custom-formatted lead information based on the insurance companies individual requirements.

Purchase of Policy. After InsWeb generates and delivers a qualified lead, insurance companies, or InsWeb Insurance Services, may respond directly to the interested consumer by e-mail, mail or telephone to close the purchase of the policy or direct the lead to an agent for follow-up. The delivery of a qualified lead to the insurance company does not require further involvement by InsWeb, although InsWeb monitors insurance company responses and works with companies and agents to ensure that they are responding to leads generated from the online insurance marketplace in a timely fashion. In addition, InsWeb performs closing services, through InsWeb Insurance Services, in both a traditional agency and an online setting, for some participating insurance companies. These closing services include advising consumers about coverage options, confirming consumer information, selling the policy and taking a premium deposit. In either case, the insurance company generally performs the on going servicing of the insurance policy, after it has been sold. As of December 31, 2001, InsWeb Insurance Services is closing business on behalf of eleven auto insurance carriers in nine western states.

Customer Care. InsWeb provides assistance to consumers throughout the data entry, quote-generation, delivery and purchase process through embedded help icons, which link to explanations of the various steps in the process and through e-mail support. InsWeb's Customer Care Center provides additional help to consumers working through the process of shopping for insurance online through real-time chat and live telephone support.

Products and Services

Insurance companies participating in InsWeb's online insurance marketplace currently offer automobile, term life, homeowners, renters, condominium, home warranty, motorcycle and pet insurance. In addition, InsWeb has contractual relationships with third-party providers for small business and health insurance.

Automobile Insurance. Automobile insurance comprises the largest segment of the consumer insurance market, and, to date, has accounted for most of the consumer traffic on InsWeb's online marketplace, and a substantial majority of its revenues. At March 22, 2002, InsWeb's online marketplace offered quotes to qualified consumers in 49 states plus the District of Columbia. The following table shows, as of March 22, 2002, the percentage of the U.S. population residing in states where at least two companies offer automobile insurance quotes on the InsWeb online marketplace:

Number of Companies Offering Auto Quotes	Number of States	Percentage of U.S. Population Residing in States and Jurisdictions Covered
2 or more	48 plus D.C.	94.8%
3 or more	43 plus D.C.	82.4%
4 or more	34 plus D.C.	76.3%
5 or more	28 plus D.C.	71.1%

For the year ended December 31, 2001, the national average for actionable insurance quotes received by consumers participating in InsWeb's online market place was 2.5, of which 2.0 were instant quotes. For the year ended December 31, 2001, California residents received an average of 5.5 actionable insurance quotes, of which 5.4 were presented instantly.

Term Life Insurance. The InsWeb online marketplace currently offers comparative quotes for term life insurance from seven or more companies in 49 states plus the District of Columbia. The following table shows, as of March 22, 2002, the percentage of the U.S. population residing in states where at least seven companies offer term life insurance quotes on the InsWeb online marketplace:

Number of Companies Offering Term Life Quotes	Number of States	Percentage of U.S. Population Residing in States and Jurisdictions Covered
7 or more	49 plus D.C.	99.6%
8 or more	47 plus D.C.	89.9%
9 or more	45 plus D.C.	87.1%
10 or more	43 plus D.C.	85.0%

Homeowners/Renters/Condominium Insurance. As of March 22, 2002, the InsWeb online marketplace offered quotes for homeowners, renters and condominium insurance from at least one insurance company in 12 states, representing 26.3% of the U.S. population.

Individual Health Insurance. InsWeb began offering individual health insurance quotes in August 1998. Individual health insurance was initially offered in the form of preferred provider organization plans, health maintenance organization plans and traditional indemnity plans. In April 2000, InsWeb entered into a two-year linking agreement with eHealthInsurance.com under which InsWeb customers had access to a co-branded version of eHealthInsurance's individual health, small group health, and Medicare supplement insurance product offerings. As a result, InsWeb re-evaluated the cost to develop and market its health care product offerings and decided to discontinue its health care initiatives, which were primarily being carried out through the business and assets acquired as a result of InsWeb's acquisition of Benelytics, Inc. ("Benelytics") in 1998. In February 2001, InsWeb temporarily suspended its online health insurance quoting due to the decision by eHealthInsurance to unilaterally terminate the relationship. eHealthInsurance has filed suit in U.S. District Court against InsWeb alleging InsWeb's failure to perform its obligations under the linking agreement. See "Item 3. Legal Proceedings". In June 2001, InsWeb entered into a two-year agreement with QuickQuote Financial, Inc. pursuant to which QuickQuote Financial became the exclusive provider of online health insurance services to InsWeb consumers.

Other Products and Services. InsWeb's online marketplace also allows consumers to shop for home warranty, motorcycle, pet insurance, and small business insurance in some states. At present, the InsWeb online marketplace does not offer multiple quotes with respect to these types of insurance, which are offered by a single insurance company for each product in the states in which it is available. InsWeb's long-term strategy is to expand the range of insurance products and services offered through its online insurance marketplace. From time to time, InsWeb licenses its insurance quoting functionality to insurance companies and financial institutions on a selected basis.

Non-U.S. Markets. In 1998, InsWeb entered into a joint venture agreement with SOFTBANK Corp. to develop, implement and market an online insurance marketplace in Japan and the Republic of Korea. The joint venture is carried out exclusively through InsWeb Japan K.K., a Japanese corporation, in which InsWeb owned a 25% interest until a reorganization in March 2001 under which a holding company, was created which controls InsWeb Japan K.K. and other companies in which InsWeb did not have a financial interest. In this reorganization, InsWeb's shares in InsWeb Japan K.K. were exchanged for shares in the holding company, Finance All K.K. In conjunction with the original joint venture agreement, InsWeb also entered into an agreement in August 1999 to provide consulting and hosting services to assist InsWeb Japan K.K. in developing its Internet strategy. Although this agreement has not been terminated, InsWeb does not expect to provide future consulting and hosting services to InsWeb Japan K.K.

Insurance Company Relationships

InsWeb believes that establishing long-term relationships with reputable insurance companies is essential to its ability to offer a desirable insurance marketplace on its website. InsWeb's focus is to maintain and expand the product offerings available on the online marketplace by selling InsWeb's services to new companies and expanding InsWeb's relationship with participating insurance companies.

Once an insurance company decides to participate in InsWeb's online insurance marketplace, InsWeb's implementation team works with the insurance company to integrate its insurance product information, which entails a process of specification development, education, planning and activation. Because of the complexity of interfacing with an insurance company's legacy computer systems, the implementation team conducts a thorough assessment of the insurance company's business processes, technical capabilities and desired interface to develop a comprehensive integration plan. Although the implementation process can be costly and time-consuming for both InsWeb and the insurance company, InsWeb believes that it represents a significant commitment by the insurance company, and that the insurance company typically views this expenditure of time and resources as an investment in a long-term relationship with InsWeb. Once an insurance company's initial implementation is complete, InsWeb works with the carrier to expand its geographic coverage and add insurance products.

As of March 15, 2002, InsWeb had relationships with 38 insurance companies, including many large companies with established brand names that InsWeb believes are attractive to consumers. These companies are:

Type of Insurance	**Insurance Companies**	
Automobile	AAA Michigan	Hartford
	AIG	Infinity
	American Family	Kemper Direct
	Amica Mutual	Leader
	Allstate	National Merit
	Atlanta Casualty Companies	New York Central Mutual
	Electric Insurance	Progressive
	Explorer	Permanent General
	Financial Indemnity	Republic Indemnity
	GE Financial Assurance	Travelers
	GMAC Integon	Tri-State
	Great American	Windsor Group
Term Life	Amica Life	North American
	CAN	Ohio National
	GE Financial Assurance	Sun Life
	Great West	Western Southern Life
	John Hancock	Zurich Life
	Northwestern Mutual Life	
Homeowners/Renters/Condo	American Family	Tri-State
	Amica	
Home Warranty	Cross Country	

To date, InsWeb has been dependent on a limited number of insurance companies for a significant portion of its revenues. Revenues from the top three carriers that participate in InsWeb's marketplace represented 32%, 34% and 53% of total revenues for the years ended December 31, 2001, 2000 and 1999, respectively. See "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations."

Interactive Website Features and Information

To assist consumers in evaluating and fulfilling their insurance needs, InsWeb provides consumers with a variety of interactive website features and insurance-related information, including:

- tools to help consumers estimate their coverage requirements for auto and term life insurance;
- research capabilities to help consumers review the financial strength of insurance companies nationwide;
- answers to frequently asked questions on insurance;
- articles on a wide variety of insurance and personal finance topics;
- glossaries of insurance-related terms; and

on-line chat, email and 800 phone service.

Marketing and Sales

InsWeb's marketing program consists of a two-pronged effort, with substantial resources directed both at attracting increased consumer traffic to the InsWeb website, and building and expanding relationships with participating insurance companies. InsWeb believes that increased traffic will encourage insurance companies to develop and expand their relationship with InsWeb, and that enhancing the comparative shopping opportunities available through increased insurance company participation will drive further increases in consumer traffic.

Consumer Marketing

InsWeb's consumer marketing program seeks to increase consumer traffic and brand awareness through the establishment of relationships with online companies as well as through direct offline and online consumer marketing.

Online Relationships. InsWeb believes that relationships with high-profile online companies can drive significant traffic to its site. InsWeb seeks out relationships with companies whose websites feature a high volume of traffic or a substantive focus that is related to the purchase of insurance coverage, such as sites related to automobiles or homes. Agreements with these online companies typically provide that InsWeb pay the online company a portion of the resulting transaction fees and in some cases a fixed fee. Online companies integrate links into their websites connecting to InsWeb's marketplace. InsWeb provides functionality to further integrate with online companies and, in some cases, provides co-branding functionality whereby the online company's logo is presented on the InsWeb marketplace to those consumers directed to InsWeb's marketplace from a company's site. For some of InsWeb's more significant online relationships, including Yahoo!, InsWeb has further integrated its functionality with these companies' sites by customizing the look and feel of InsWeb's insurance-related content and marketplace to replicate the design characteristics of the online company's site. Additionally, some of these companies have developed customized interfaces on their own site to link to the InsWeb marketplace. InsWeb's agreements with online companies typically have a 12 to 24-month term, with either party having a right to terminate the agreement on 30 to 90 days' notice. Notwithstanding the foregoing, the integration process requires a significant investment of the online company's time and resources, which InsWeb believes motivates the partner to maintain a long-term relationship with InsWeb.

Yahoo! offers a co-branded version of the InsWeb online insurance marketplace on the Yahoo! website. InsWeb's agreement with Yahoo! provides for InsWeb to be a provider of online insurance quotation services on the Yahoo! site for automobile, homeowners and term life insurance, and InsWeb pays Yahoo! fixed fees, plus a fee for each completed shopping session in excess of certain targets. InsWeb was the exclusive provider of online insurance quotation services on Yahoo! through

December 31, 2001. Since December 31, 2001, InsWeb continues to be promoted in the Yahoo! Insurance Center but is no longer the exclusive provider of insurance quotations services.

InsWeb and Microsoft entered into a two-year agreement in December 1999 pursuant to which Microsoft's MSN Insurance Center on MSN MoneyCentral offered co-branded comparative shopping services provided by InsWeb and InsWeb was the exclusive provider of online insurance quotation services on the MSN Insurance Center. Under the agreement, InsWeb paid MSN fixed fees for certain traffic guarantees, plus a fee for each user delivered to an InsWeb quote form from the co-branded site in excess of certain minimums. InsWeb has not renewed its agreement with Microsoft effective January 1, 2002.

InsWeb and America On-line entered into a two-year agreement in February 2000 pursuant to which America Online offers a co-branded version of the InsWeb online insurance marketplace across the Netscape Netcenter, Compuserve and Digital City websites. The agreement provides for InsWeb to be the exclusive provider of online insurance quotation services on the Netscape website and premier insurance comparison-shopping aggregator of insurance offerings for Compuserve and Digital City. InsWeb pays AOL the fixed fees for certain impression targets plus a fee for each clickthrough over a cumulative minimum threshold. In February 2001, InsWeb and AOL amended the original contract to adjust the amount of fixed fees and targeted impressions for the remainder of the original term of the contract. As a result of this amendment, effective November 1, 2001, InsWeb's status was converted from the exclusive provider of online insurance quotations on Netscape to a preferred provider of these services. In February 2002, AOL exercised its option to extend the term of the agreement for one year. During this extension, InsWeb will pay AOL a fee for each consumer sent to the InsWeb website.

InsWeb and Lycos entered into a two year agreement in August 2001 pursuant to which visitors to the Lycos website have access to a co-branded version of the InsWeb online insurance marketplace through links placed on several pages within the Lycos website. The agreement requires InsWeb to pay Lycos fixed integration fees, and a fee for each completed shopping session on the co-branded website in excess of certain minimums. The amount of fixed fees due for the second year may be reduced or increased based on certain performance targets set for the first year. In addition, InsWeb is entitled to a percentage of fees generated by Lycos from advertising placed on the Lycos Insurance Center.

In January 2001, InsWeb acquired from Intuit, Inc., certain assets associated with an online insurance shopping and purchasing service operated by Intuit Insurance Services, Inc., a wholly owned subsidiary of Intuit. In connection with the acquisition, InsWeb and Intuit entered into a license and distribution agreement, under which, Intuit and InsWeb granted one another licenses to create links between their respective websites in order to create and operate a co-branded insurance center. This agreement also provides that InsWeb will be the exclusive aggregator of online consumer insurance services for Quicken.com, an Intuit website, and that Intuit will share in the associated revenues, in excess of fixed payments that amount to $20.5 million over the term of the agreement. This agreement has been entered into for an initial term of five years.

On March 28, 2002, InsWeb amended its license and distribution agreement with Intuit, Inc. Under the amended agreement, InsWeb will make the originally agreed upon fixed payments (long-term marketing commitments) only through May 31, 2003 ($3.0 million in 2002 and $2.0 million in 2003). Fixed payments previously payable to Intuit after May 31, 2003 have been forgiven ($2.0 million in 2003, $5.0 million in 2004 and $6.0 million in 2005). Effective November 1, 2003 and through the remainder of the agreement (January 2006), InsWeb will pay Intuit a portion of the transaction fees from the Intuit internet traffic on a quarterly basis. The effect of this amendment will be accounted for in InsWeb's results of operations for the quarter ended March 31, 2002.

Traditional Consumer Marketing. As part of its branding effort, InsWeb developed a consumer marketing campaign, which began in 1998 with radio advertising in selected metropolitan markets, and which was expanded in 1999 to include national television and syndicated radio advertising. In the first

half of 2000, InsWeb changed its marketing focus to emphasize more online marketing efforts and discontinued its radio and television marketing campaigns.

Online Direct-Response Advertising. InsWeb's online direct-response advertising is intended to create a presence for InsWeb on a wide range of websites whose audiences closely match its target audience. InsWeb's key advertisements are delivered through content sponsorships, banners and keywords on financial, news, real estate, classifieds, automobile, directory and general interest sites. InsWeb and some of its third-party marketing providers also conduct advertising campaigns promoting InsWeb through emails and electronic newsletters. InsWeb's advertisements are targeted primarily at consumers who are actively seeking insurance.

Technology

Architecture and Interfaces

Since its inception, InsWeb has invested significant resources to develop and deploy its proprietary technology platform that InsWeb believes constitutes a significant competitive advantage.

InsWeb's software architecture facilitates interoperability among software components to maximize responsiveness, flexibility and reliability. This architecture enables InsWeb to efficiently develop and deploy new insurance company-specific modules for underwriting, rating and data delivery. It also simplifies the process of providing InsWeb's core marketplace functionality for use on insurance company sites. In order to speed implementation for each participating insurance company, InsWeb has developed transmission software components which allow consumer data to be custom-formatted for delivery to each insurance company based on the requirements of the insurance company's computer system. InsWeb has developed custom communication software to provide multiple types of real-time telecommunication links to its participating insurance companies. These components provide a variety of solutions to the insurance companies to best meet their needs and interface with their legacy systems. InsWeb has devoted significant time and resources to maximize the efficiency of integrating new insurance companies into its online marketplace and to create a flexible, customizable Web interface. InsWeb's front-end user interface is accessible to consumers via standard Web browsers and is designed without unnecessary graphics that would increase download time.

InsWeb's server software operates on servers running the Microsoft Windows NT operating system. The software is designed for a high-volume transaction processing environment, with a focus on reliability, redundancy and around-the-clock availability. It is designed to enable the system to respond rapidly and to simultaneously underwrite and rate a consumer's profile against all participating insurance companies' criteria. The software is also designed for scalability, enabling InsWeb to expand processing capacity through the addition of more processors and servers as transaction volumes increase.

InsWeb has also integrated and plans to further develop systems to facilitate incoming consumers though InsWeb's Customer Care Center and the processing of leads and sale of insurance policies through its agency operations. InsWeb's agency technology systems use a combination of our own proprietary technologies and commercially available, licensed technologies. These technologies include an array of proprietary advanced telephony and network tools to manage leads delivered from InsWeb's marketplace and online chat, email and telephone calls received in the customer service center. InsWeb's proprietary automated customer management system has been developed to communicate and process data with the InsWeb marketplace, outside rating services, credit bureaus, third-party data providers, and an online credit card processing company to facilitate the sale of insurance policies to consumers. Once a policy is sold, data is entered onto an agency management system, where upload and download interfaces between its agency management system and various carrier back office systems have been developed to streamline the proper fulfillment and servicing of sold policies.

Security

InsWeb employs third-party firewall technology to protect its corporate network from intrusion and uses proprietary designs to isolate confidential data on its network so that only selected information is publicly available on its website. Consumer information is transmitted to InsWeb's site using Secure Socket Layer encryption technology, a widely used technology for transmitting encoded data via a Web browser. InsWeb employs a number of other encryption methods for delivery of consumer information to insurance companies. InsWeb protects its system management functions using security models integrated with the operating system. Additionally, some sensitive software applications incorporate proprietary authentication schemes.

Site Operations

InsWeb's hardware servers, storage systems, Internet connections, back-up strategies and network are designed to allow its online marketplace to operate continuously. InsWeb's main Web servers are located at its headquarters facility in Gold River, California. InsWeb uses multiple service providers to access the Internet over multiple dedicated communication lines. InsWeb uses a separate server to operate the software for each primary insurance product, as well as at least one redundant server for each core product. InsWeb uses a number of internally-developed and third-party software products to monitor the performance and availability of its website and core products. InsWeb continuously monitors consumer traffic, response times and capacity to ensure a high quality of service for consumers and insurance companies. InsWeb maintains a back-up facility in Rancho Cordova, California through a third-party service provider to ensure the continuous operation of its online marketplace in case of a failure at its main facility.

Product Development

InsWeb devotes significant resources to improving the structure of its products and delivering additional tools that allow insurance companies to effectively reach consumers. InsWeb generally follows a semi-quarterly release schedule for new versions of its online user interface, which may incorporate technology advances, new product features and improvements in consumer interactivity. InsWeb also devotes resources to refining its online consumer tools and research materials, as well as developing new support products. InsWeb is also researching new methods of designing more useful insurance-related material and presenting it to the consumer in a more meaningful context.

InsWeb's technology expenses were approximately $14.0 million in 2001, $22.9 million in 2000, and $17.8 million in 1999. In addition, InsWeb capitalized costs of $0.8 million in 2001 and $1.2 million in 2000 relating to the development and enhancement of its website.

Privacy Policy

InsWeb believes that the privacy of personally identifiable information of Internet users is becoming increasingly important as the use of the Internet for electronic commerce continues to grow. InsWeb has adopted a privacy policy for information of users of its online marketplace. InsWeb does not disclose any personally identifiable information of a user to InsWeb's participating insurance companies until the user specifically requests insurance coverage based on an instant online quote, or requests an offline quote or requests to participate in an InsWeb Rewards Program. InsWeb does not sell or otherwise make available to any other party any personally identifiable information concerning its users. However, InsWeb does compile user information in its databases. This aggregated statistical information is analyzed internally by InsWeb for marketing purposes and to improve the content and site layout of its website. This information is made available in aggregate form only, without individual identification of consumers, to InsWeb's participating insurance companies for their use in adjusting, refining and expanding their product offerings. Aggregate statistical information also may be made available to online companies with which InsWeb has established a marketing relationship. InsWeb is a licensee of the TRUSTe Privacy Program and adheres to their standards regarding the protection of the personally identifiable information of Internet users.

Competition

The online insurance distribution market is a new industry and, like the broader electronic commerce market, is rapidly evolving and is highly competitive. InsWeb competes with other companies that provide quotes and sell insurance policies online, as well as with:

- single insurance company websites that offer quotes for their own insurance products online or by telephone;
- Web-based information delivery services that use generic filings with state regulators to deliver estimated price quotes from various insurance companies;
- Web-assisted agency distribution services, that provide an Internet-based distribution channel for traditional insurance agencies;
- online workplace marketers that sell insurance to employees over their employer's intranet; and
- providers of software technology to insurance companies and other competitors that may target electronic commerce solutions for the insurance industry.

InsWeb believes the principal bases for competition in the online insurance distribution market include:

- brand awareness;
- variety and quality of insurance company selection;
- strength of relationships and depth of technology integration with insurance companies;
- accuracy of insurance quotes;
- breadth and pricing of insurance product selection;
- speed, accessibility and convenience;
- quality and quantity of website content; and
- relationships with other online companies.

Government Regulation

The insurance industry is subject to extensive regulation under state laws. Insurance laws and regulations cover all aspects of the insurance process, including sales techniques, underwriting for eligibility, rates, compensation, claim payments and record keeping by licensed insurance companies and insurance agents. InsWeb performs functions for licensed insurance companies and is, therefore, required to comply with a complex set of rules and regulations that often vary from state to state. If InsWeb fails to comply with these rules and regulations, InsWeb, an insurance company doing business with InsWeb, our officers, or agents with whom we contract could be subject to various sanctions, including censure, fines, a cease-and-desist order or other penalties. This risk, as well as changes in the regulatory climate or the enforcement or interpretation of existing law, could require changes to InsWeb's business or otherwise harm InsWeb's business. Furthermore, because the application of online commerce to the insurance market is relatively new, the impact of current or future regulations on InsWeb's business is difficult to anticipate.

A company that does business as an insurance agent is generally required to be licensed in any state in which it conducts that business. Although InsWeb does not believe that the operation of its online insurance marketplace constitutes doing business as an insurance agent under existing laws and regulations, InsWeb has received direct and indirect inquiries from insurance regulatory authorities in several states suggesting that these activities may be considered to fall under their licensing jurisdiction.

Should these or other regulatory authorities pursue inquiries and ultimately determine that InsWeb's activities required licensure, InsWeb's business could be harmed.

In order to provide the types of services that require a license, InsWeb has caused a wholly-owned subsidiary, InsWeb Insurance Services, Inc., to be licensed as an insurance agent. This subsidiary currently maintains property and casualty licenses in 40 jurisdictions (including the District of Columbia) and life and health licenses in 39 jurisdictions (including the District of Columbia). In the states where our subsidiary does not maintain a license, InsWeb is licensed through its officers or through resident agents that contract with InsWeb. InsWeb's policy is to post prominently on its website the jurisdictions in which the subsidiary is licensed. Links to agents that contract with InsWeb will be established to afford consumers access to licensed agencies. In addition, employees of InsWeb who are engaged in the sale of insurance are licensed as insurance agents. InsWeb's operations depend on the validity of and continued good standing under the licenses and approvals pursuant to which InsWeb's subsidiary, licensed officers and agents operate. Licensing laws and regulations vary depending on the jurisdiction. The applicable licensing laws and regulations are subject to amendment or interpretation by regulatory authorities. Such authorities generally are vested with broad discretion concerning the allowance, renewal and revocation of licenses and approvals. The inability to obtain the requisite agent licenses or other necessary licenses, permits, or authorizations could harm InsWeb's business.

InsWeb transferred responsibility for the ongoing operation of InsWeb's website in April 1999 to its licensed subsidiary, and intends to conduct business activities that require a license through this subsidiary and InsWeb's licensed officers and agents. Offering services through this licensed subsidiary or through licensed officers and agents could create conflicts with insurance companies that have policies prohibiting them from employing insurance agents or from selling insurance through agents that compete with their own exclusive agents. These conflicts could result in a loss of business from these insurance companies and could harm InsWeb's business.

InsWeb developed its Customer Care Center to provide assistance to consumers who visit InsWeb's website through real-time chat and live telephone support. InsWeb believes that the defined responsibilities of the service representatives staffing the Customer Care Center do not require licensure; however, InsWeb intends to comply with any licensing requirement of the jurisdictions served by the Customer Care Center.

InsWeb faces additional regulatory risk because most of the laws and regulations governing the transaction of insurance, including laws and regulations relating to marketing and underwriting, do not currently address the delivery of services through electronic communications. Until these laws and regulations are revised to clarify their applicability to electronic commerce, any company offering insurance products and services through the Internet or other means of electronic commerce will face uncertainty as to compliance with these laws and regulations. InsWeb's policies and procedures may not be deemed acceptable by any regulatory body examining its activities in light of these potentially different laws and regulations. Any adverse regulatory actions could seriously harm InsWeb's business.

In addition, many state insurance codes limit the collection and use of personal information by insurance companies, agents, or insurance service organizations and, under certain circumstances, the payment of insurance-related compensation to unlicensed persons. If InsWeb does not comply with these state laws, InsWeb could be subject to fines or other enforcement proceedings that could harm its business. To date, InsWeb has not been notified by any regulatory authority that its information practices or compensation methodologies do not comply with these state laws.

Intellectual Property

InsWeb regards its intellectual property as critical to its success, and relies upon trademark, copyright and trade secrets laws in the United States and other jurisdictions to protect its proprietary rights. The INSWEB mark has been registered in the United States, France, Germany, South Korea, Japan and the United Kingdom, among others, and applications are pending in several other countries.

Other U.S. and worldwide trademark applications include, but are not limited to, eAgent, InsWeb.com, Powered by InsWeb, and Where You and Your Insurance Really Click. InsWeb has applied for patents on its core technology and related patentable subject matter; however no patent has been issued, and thus InsWeb cannot currently prevent a competitor from independently using similar functionality. In connection with its acquisition of assets from Intuit in January 2001, InsWeb obtained the rights to patent applications filed by Intuit relating to Intuit's online insurance shopping and purchasing service. InsWeb intends to continue to pursue these patents. InsWeb's pending trademark registrations and patent applications may not be approved or granted, or, if granted, may be successfully challenged by others or invalidated through administrative process or litigation. In addition, effective patent, copyright, trademark, and trade secret protection may be unavailable or limited in some foreign countries. InsWeb also seeks to protect its proprietary rights through physical and technological security measures, and through the use of confidentiality or license agreements with its business partners, employees, consultants, advisors and others, and generally to control access to, and distribution and use of, its software, documentation, business and other proprietary information. Despite InsWeb's efforts to protect its proprietary rights from unauthorized use or disclosure, employees, consultants, advisors or others may not maintain the confidentiality of InsWeb's proprietary information, and this proprietary information may otherwise become known, or be independently developed, by competitors. The steps InsWeb has taken may not prevent misappropriation of its proprietary rights, particularly in foreign countries where laws or law enforcement practices may not protect its proprietary rights as fully as in the United States.

InsWeb licenses its trademarks and similar proprietary rights to third parties. While InsWeb attempts to ensure that the quality of its brand is maintained by these companies, they may take actions that could harm the value of InsWeb's proprietary rights or the reputation of InsWeb or its services.

InsWeb may receive notice of claims of infringement of other parties' proprietary rights or claims that its own patents or other intellectual property rights are invalid. From time to time InsWeb has been subject to infringement claims in the ordinary course of its business, including claims of alleged infringement of the trademark rights of third parties by InsWeb and the companies with which it does business. Any of these claims, with or without merit, could be time consuming to defend, result in costly litigation, divert management attention and resources or require InsWeb to enter into royalty or licensing agreements. Licenses may not be available on reasonable terms, if at all, and the assertion or prosecution of any infringement claims could significantly harm InsWeb's business.

Employees

As of December 31, 2001, InsWeb had 187 full-time employees. InsWeb has never had a work stoppage, and none of its employees are currently represented under collective bargaining agreements. InsWeb considers its relations with its employees to be good. InsWeb believes that its future success will depend in part on the continued service of its senior management and key technical personnel and its ability to attract, integrate, retain and motivate highly qualified technical and managerial personnel. Competition for qualified personnel in InsWeb's industry and geographical location is intense. InsWeb may not continue to be successful in attracting and retaining a sufficient number of qualified personnel to conduct its business in the future.

Executive Officers of the Registrant

As of March 22, 2002, InsWeb's executive officers were as follows:

Name	Position With InsWeb	Age
Hussein A. Enan	Chairman of the Board and Chief Executive Officer	56
Mark P. Guthrie	President and Chief Operating Officer	40
William D. Griffin	Chief Financial Officer	44
L. Eric Loewe	Senior Vice President, General Counsel and Secretary	44

Hussein A. Enan co-founded InsWeb in February 1995 and has served as its Chairman of the Board and Chief Executive Officer since its inception. Mr. Enan also served as InsWeb's President from May 1999 to June 2000. From March 1992 to November 1994, Mr. Enan was a general partner at E.W. Blanch, a reinsurance intermediary that merged with his own wholly-owned company, Enan & Company, a reinsurance intermediary, in March 1992. Mr. Enan founded Enan & Company in February 1979.

Mark P. Guthrie joined InsWeb in September 1997 as Senior Vice President of Strategic Partnerships and served as its Executive Vice President of Operations from July 1998 to June 2000. Mr. Guthrie has served as InsWeb's Chief Operating Officer since January 2000 and as its President since June 2000. From July 1995 to August 1997, Mr. Guthrie held various positions with Industrial Indemnity, a nationwide property and casualty insurance company, most recently as senior operating officer of national programs.

William D. Griffin joined InsWeb in May 2001 as Chief Financial Officer. From August 1999 to February 2001, Mr. Griffin was Chief Financial Officer of ZipSend, Inc., an Internet services company, of which he was a co-founder. From May 1990 through September 1998, Mr. Griffin was Senior Vice President and Chief Financial Officer of Inference Corporation, a customer services software company.

L. Eric Loewe joined InsWeb in October 1998 as Corporate Counsel, Legal and Regulatory, responsible for all regulatory compliance issues, and has served as Senior Vice President and General Counsel since September 2000 and as Secretary for InsWeb since July 2001.

Mr. Loewe held various positions with the National Association of Independent Insurers from January 1980 to September 1998. As Senior Counsel for the NAII, Mr. Loewe was responsible for legislation and regulations affecting the association's 570 member companies. Mr. Loewe is a member of the Illinois and California bars.

Item 2. Properties.

InsWeb's corporate headquarters and its principal administrative, product development, sales and marketing operations are located in a 55,000 square foot facility in the Sacramento, California area, which InsWeb occupies under a lease expiring in 2011. InsWeb also leases approximately 75,000 square feet of office space in Redwood City, California under a lease expiring in September 2008, and 12,474 square feet of office space in Westlake Village, California under a lease expiring in 2004. These facilities were formerly occupied by InsWeb as its headquarters and agency facilities. As of March 2001, approximately half of the Redwood City facility was sublet. InsWeb believes that its facilities are adequate to meet its needs for future growth, and there should be no need to lease additional or alternative space in the near term.

Item 3. Legal Proceedings.

eHealth Insurance Litigation

In February 2001, InsWeb temporarily suspended its online health insurance quoting services due to the decision by eHealthInsurance Services, Inc., formerly InsWeb's exclusive provider of online health-insurance quotes, to unilaterally terminate the relationship. In April 2000, the two companies signed a two-year online distribution agreement by which eHealthInsurance became the exclusive provider of individual health, small-group health and Medicare supplement insurance quotes to InsWeb users through a co-branded website. In February 2001, eHealthInsurance filed suit in the U.S. District Court for the Northern District of California alleging InsWeb's failure to perform its obligations under the agreement. The complaint seeks unspecified compensatory and punitive damages. InsWeb filed a counterclaim in March 2001, alleging that eHealthInsurance wrongfully terminated the linking agreement and pursued a course of conduct aimed at damaging InsWeb's business. InsWeb believes it has meritorious defenses with respect to eHealthInsurance's complaint and intends to defend the complaint and prosecute its counterclaim vigorously; however the litigation is in the preliminary stage and there can be no assurance that InsWeb will prevail in this action. An unfavorable outcome could have a material adverse effect on InsWeb's financial condition, results of operations or cash flows. InsWeb filed a counterclaim in March 2001, alleging that eHealthInsurance wrongfully terminated the linking agreement and pursued a course of conduct aimed at damaging InsWeb's business.

Securities Class Action Lawsuit

A class action lawsuit, entitled *Abraham Kassin v. InsWeb Corporation, et al.*, was filed on December 5, 2001 in the United States District Court for the Southern District of New York on behalf of purchasers of InsWeb common stock alleging violations of federal securities laws. The case is brought purportedly on behalf of all persons who purchased InsWeb common stock from July 22, 1999 through December 6, 2000. The complaint names as defendants InsWeb, Hussein A. Enan, Chairman and Chief Executive Officer of InsWeb, Darrell J. Ticehurst, a former officer and director of InsWeb, Stephen I. Robertson, a former officer of InsWeb, and three underwriters for InsWeb's initial public offering in July 1999. The complaint alleges violations of Section 11, 12(2) and 15 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, on the grounds that the prospectus incorporated in the registration statements for the offering failed to disclose, among other things, that (i) the underwriters had solicited and received excessive and undisclosed commissions from certain investors in exchange for which the underwriters allocated to those investors substantial blocks of the stock sold in the initial public offering, and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocate shares of the stock sold in the initial public offering to those customers in exchange for which the customers agreed to purchase additional shares of InsWeb stock in the aftermarket at pre-determined prices that were above the initial public offering price. No specific damages are claimed. InsWeb is aware that similar allegations have been made in lawsuits relating to more than 250 other initial public offerings conducted in 1999 and 2000. Those cases have been consolidated for pretrial purposes and the defendants' time to respond to the complaints has been stayed pending a plan for further coordination. InsWeb has not been served in this action. However, InsWeb believes that the allegations against InsWeb and its current and former officers and directors are without merit and intends to contest them vigorously. The litigation is in the preliminary stage, and InsWeb cannot predict its outcome. The litigation process is inherently uncertain. If the outcome of the litigation is adverse to InsWeb and if, in addition, InsWeb is required to pay significant monetary damages, our business would be significantly harmed.

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

At a special meeting on October 29, 2001, InsWeb stockholders approved an amendment to the articles of incorporation to effect a reverse stock split of its common stock by a vote of 28,650,899 shares in favor, 83,294 shares against and no shares abstaining. The Board of Directors subsequently implemented the reverse stock split in the ratio of 1-for-6 effective December 20, 2001. The purposes of the reverse stock split were to reduce the number of common shares outstanding, to increase the per share trading price of the InsWeb common stock, and to support InsWeb's efforts to remain listed on the Nasdaq National Market.

PART II

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

InsWeb's common stock is quoted on the Nasdaq National Market under the symbol "INSW." As of December 31, 2001, there were approximately 181 stockholders of record. Many shares are held by brokers and other institutions on behalf of stockholders, and we are unable to determine the total number of stockholders represented by these record holders. The following table sets forth, for the quarters indicated, the high and low sales price per share of InsWeb's common stock as reported on the Nasdaq National Market:

	Price Range Quarter Ended	
	High	**Low**
2001		
December 31, 2001	$ 5.46	$ 2.52
September 30, 2001	$ 5.40	$ 1.98
June 30, 2001	$ 7.68	$ 4.50
March 31, 2001	$ 12.00	$ 4.68
2000		
December 31, 2000	$ 18.00	$ 3.00
September 30, 2000	$ 19.50	$ 7.14
June 30, 2000	$ 61.50	$ 12.54
March 31, 2000	$ 156.78	$ 54.00

InsWeb has not paid any cash dividends on its capital stock. InsWeb currently intends to retain future earnings, if any, for use in the operation and expansion of our business and, therefore, does not anticipate paying any cash dividends in the foreseeable future.

On December 20, 2001, InsWeb effected a 1-for-6 reverse split of its common stock. All share and per share amounts in this Form 10-K have been retroactively restated to give effect to the reverse stock split for all periods presented.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Operating Results" and the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K.

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

(in thousands, except per share amounts)

	Year ended December 31,				
	2001	2000	1999	1998	1997
Revenues:					
Transaction fees	$ 21,342	$ 18,789	$ 19,095	$ 3,151	$ 116
Agency commissions	1,634	772	52		
Development and maintenance fees	1,880	3,649	2,694	1,159	634
Total revenues	24,856	23,210	21,841	4,310	750
Operating expenses:					
Technology	14,041	22,890	17,778	10,077	3,210
Sales and marketing	28,821	34,020	30,413	8,954	3,167
General and administrative	7,345	11,207	7,631	6,640	3,259
Amortization of intangible assets		1,150	3,129		
Amortization of stock-based compensation	256	912	1,272	540	470
Impairment of long-lived assets (1)	18,519	4,418			
Restructuring charge (2)	1,843	2,167			
Total operating expenses	70,825	76,764	60,223	26,211	10,106
Loss from operations	(45,969)	(53,554)	(38,382)	(21,901)	(9,356)
Interest expense	(1,043)	(87)	(1,229)	(794)	(192)
Interest income and other, net	2,086	4,429	3,410	205	485
Loss before cumulative effect of a change in accounting principle	(44,926)	(49,212)	(36,201)	(22,490)	(9,063)
Cumulative effect of a change in accounting principle (3)		(1,635)			
Net loss	$ (44,926)	$ (50,847)	$ (36,201)	$ (22,490)	$ (9,063)
Per share data basic and diluted:					
Loss before cumulative effect of a change in accounting principle	$ (6.45)	$ (8.40)	$ (9.10)	$ (9.11)	$ (3.72)
Cumulative effect of a change in accounting principle (3)		(0.28)			
Net loss per share basic and diluted:	$ (6.45)	$ (8.68)	$ (9.10)	$ (9.11)	$ (3.72)
Shares used in computing net loss per share basic and diluted:	6,969	5,857	3,977	2,469	2,434

(1) Represents the write-down of long-lived assets related to the acquisition of certain assets of Quicken Insurance in 2001 and the write-off of assets related to the Benelytics acquisition in 2000. See Notes 10 and 11 of Notes to the Consolidated Financial Statements for additional information.

(2)

Represents charges recorded in 2000 and 2001 pursuant to InsWeb's restructuring plan. See Note 9 of Notes to the Consolidated Financial Statements for additional information.

(3)

Reflects the impact of the adoption of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), effective January 1, 2000. Pro forma amounts of net loss and related diluted per share amounts, assuming retroactive application of the change in accounting principle for the years ended December 31, 1997 through 1999 are as follows:

	Years ended December 31,		
	1999	1998	1997
Pro forma amounts reflecting the adoption of SAB 101:			
Net loss	$ (37,195)	$ (22,817)	$ (9,376)
Net loss per share, basic and diluted	$ (9.35)	$ (9.24)	$ (3.85)

CONSOLIDATED BALANCE SHEET DATA:

(in thousands)

	As of December 31,				
	2001	2000	1999	1998	1997
Cash and cash equivalents	$ 14,627	$ 24,795	$ 25,689	$ 8,337	$ 2,360
Short-term investments	20,936	26,331	64,063		
Working capital	30,665	51,657	91,631	5,497	2,040
Total assets	54,342	73,008	118,281	49,357	5,140
Long-term liabilities, excluding current portion	13,490	1,312	1,464	2,089	
Total stockholders' equity	31,772	63,884	111,185	19,582	3,062

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Annual Report on Form 10-K and in particular Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements with respect to InsWeb's future financial performance. These forward-looking statements are subject to various risks and uncertainties, including the factors described below under the caption "Factors That May Affect Our Future Performance," and other documents filed with the Securities and Exchange Commission, that could cause InsWeb's actual results to differ materially from historical results or those currently anticipated.

Overview

InsWeb operates an online insurance marketplace that enables consumers to shop online for a variety of insurance products, including automobile, term life, homeowners, renters and health insurance, and obtain insurance company-sponsored quotes for actual coverage. In order to create this marketplace, InsWeb has established close relationships with a significant number of insurance companies throughout the United States.

InsWeb's principal source of revenues is transaction fees. While quotes obtained through InsWeb's online insurance marketplace are provided to consumers free of charge, InsWeb's participating insurance companies pay transaction fees to InsWeb generally based on qualified leads delivered to them electronically. Qualified leads are produced in two ways: for insurance companies offering consumers instant online quotes, a qualified lead is produced when a consumer requests insurance coverage based on a specific quote; for insurance companies providing e-mail or other offline quotes, a qualified lead is produced when the consumer clicks to request the quote itself. In either case, transaction fees are payable whether or not the consumer actually purchases an insurance policy from the insurance company and revenue from transaction fees is recognized either at the time the qualified lead is delivered to the insurance company, or when the policy is sold by the insurance company.

In October 1999, InsWeb began generating commission revenue as an insurance agent based on activities it performs related to the sale of certain automobile insurance policies in California. Since that date, InsWeb has expanded its insurance agency operations. As of December 31, 2001, InsWeb's subsidiary, InsWeb Insurance Services, Inc., has been appointed as an authorized automobile insurance agent by 11 participating insurance companies and is acting as an agent in the states of Arizona, California, Illinois, New York, Ohio, Oregon, Pennsylvania, Virginia and Washington. InsWeb receives a commission based on a percentage of the insurance policy premium related to each insurance policy sale where InsWeb has acted as the agent. InsWeb recognizes the revenue from these activities on the effective date of the policy. InsWeb also recognizes revenue when an applicable policy is renewed. InsWeb intends to expand its online insurance agency operations by adding additional participating insurance companies and by expanding into additional states.

InsWeb initially focused its efforts on developing insurance company coverage for automobile insurance in order to be able to offer true comparative online shopping for this important segment of the insurance market. Automobile insurance accounted for approximately 67% of transaction revenues in 2001, 69% in 2000 and 78% in 1999. We anticipate that automobile insurance will continue to account for a significant portion of InsWeb's revenues for the foreseeable future. However, InsWeb intends to continue to expand its online insurance marketplace by adding new products and additional insurance companies, and expects fees related to automobile insurance to decrease as a percentage of revenues as additional insurance companies and products are brought online.

InsWeb has been dependent on a limited number of insurance companies for a majority of its revenues. Revenues from Amica, GE Financial Assurance and AIG accounted for approximately 11%, 11% and 10%, respectively, of InsWeb's revenues for the year ended December 31, 2001. Revenues from State Farm, AIG and GE Financial Assurance accounted for approximately 14%, 11% and 9%, respectively, of InsWeb's revenues for the year ended December 31, 2000. Revenues from State Farm, AIG and American Family accounted for approximately 31%, 11% and 11%, respectively, of InsWeb's revenues for the year ended December 31, 1999. InsWeb expects its revenues to become less

concentrated as new insurance companies are added to its online insurance marketplace. However, because of the broad market presence of some of InsWeb's participating insurance companies, InsWeb expects to continue to generate a substantial portion of its revenues from a limited number of insurance companies for the foreseeable future.

Since its inception, InsWeb has incurred significant losses, and as of December 31, 2001, InsWeb had an accumulated deficit of $170.2 million. These losses, and this accumulated deficit, have resulted from the significant costs incurred in the development of InsWeb's technology platform, the establishment of relationships with insurance companies, their integration with the InsWeb site, and InsWeb's marketing and sales activities. InsWeb intends to continue to invest in product development, sales and marketing and in its administrative infrastructure. As a result, InsWeb believes that it will continue to incur operating losses at least through 2002. Although InsWeb has experienced revenue growth in recent periods, its operating results for future periods are subject to numerous uncertainties, and there can be no assurance that InsWeb's revenue growth will continue or that it will be able to achieve and sustain profitability. In view of the rapidly evolving nature of InsWeb's business and its limited operating history, InsWeb believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Current Year Developments

eHealthInsurance.com. In April 2000, InsWeb and eHealthInsurance announced the formation of an online partnership designed to leverage the companies' respective strengths in marketing, product offerings and customer service. Through this effort, InsWeb customers shopping for health insurance could access eHealthInsurance's selection of leading insurers, products and service offerings. The exclusive, two-year linking agreement included the marketing of individual health, small-group health and Medicare supplement insurance offerings from among the insurers participating with eHealthInsurance. As a result of this agreement, InsWeb negotiated termination agreements with its participating health insurance carriers and discontinued its existing health insurance marketplace. In February 2001, InsWeb temporarily suspended its online health insurance quoting due to the decision by eHealthInsurance to unilaterally terminate the relationship. In February 2001, eHealthInsurance filed suit in U.S. District Court alleging InsWeb's failure to perform its obligations under the linking agreement. The complaint seeks unspecified compensatory and punitive damages. InsWeb believes it has meritorious defenses with respect to this claim; however there can be no assurance that InsWeb will prevail in this action. An unfavorable outcome could have a material adverse effect on InsWeb's financial condition, results of operations or cash flows. InsWeb filed a counterclaim in March 2001, alleging that eHealthInsurance wrongfully terminated the linking agreement and pursued a course of conduct aimed at damaging InsWeb's business.

Acquisition of Intuit Insurance Services. In January 2001, InsWeb acquired from Intuit certain assets and related liabilities associated with an online insurance shopping and purchasing service operated by Intuit Insurance Services, Inc., a wholly owned subsidiary of Intuit, Inc. InsWeb did not acquire any of Intuit's revenue producing relationships with insurance carriers; however, InsWeb acquired the right to be assigned all Internet traffic from the licensing agreements that Intuit had previously negotiated with its strategic partners.

In connection with the acquisition, InsWeb and Intuit entered into a license and distribution agreement, under which Intuit and InsWeb have granted one another licenses to create links between their respective websites in order to create and operate a co-branded insurance center. This agreement also provides that InsWeb will be the exclusive aggregator of online consumer insurance services for Quicken.com, an Intuit website. The original agreement required InsWeb to pay Intuit fixed fees totaling $20.5 million plus additional amounts associated with consumers linking from the Quicken.com website over the five year term of the agreement for Internet traffic in excess of certain minimums to the InsWeb co-branded insurance center. Intuit has also entered into covenant not to compete with InsWeb for a period of five years.

The purchase cost of approximately $30.1 million was comprised of 1,170,000 shares of InsWeb's common stock issued to Intuit with a fair value at issuance of $12.5 million, long-term marketing commitments of $17.0 million, which represent the present value of the fixed fees due over the term of the license and distribution agreement, and other acquisition related expenses of $548,000 consisting primarily of payments to a financial advisor and other professional fees. InsWeb recorded a long-lived asset of $17.0 million for prepaid marketing costs and an intangible asset of $13.1 million relating to the beneficial terms of the license and distribution agreement. The fair value of the intangible asset was estimated based on the expected Internet traffic to be received from Intuit by InsWeb. Both long-lived assets were amortized over the five-year term of the license and distribution agreement. Amortization of these assets was included as a component of sales and marketing expense.

In the fourth quarter of 2001, as a result of significantly lower than anticipated traffic levels, InsWeb reassessed the recoverability of the assets recorded in connection with the purchase by comparing the estimated future undiscounted cash flows expected to be generated relating to these assets to their carrying amounts. Based on this evaluation, InsWeb determined that the long-lived asset for prepaid marketing costs and the intangible asset relating to the beneficial terms of the license and distribution agreement with a total carrying amount of $24.5 million were impaired and recorded an impairment charge of $18.5 million in the fourth quarter of 2001 as the carrying value of these assets was in excess of fair value. The fair value of the acquired assets was based on estimated future cash flows to be generated from the license and distribution agreement, discounted using a rate that is commensurate with the risk involved.

On March 28, 2002, InsWeb amended its license and distribution agreement with Intuit, Inc. Under the amended agreement, InsWeb will make the originally agreed upon fixed payments (long-term marketing commitments) only through May 31, 2003 ($3.0 million in 2002 and $2.0 million in 2003). Fixed payments previously payable to Intuit after May 31, 2003 have been forgiven ($2.0 million in 2003, $5.0 million in 2004 and $6.0 million in 2005). Effective November 1, 2003 and through the remainder of the agreement (January 2006), InsWeb will pay Intuit a portion of the transaction fees from the Intuit internet traffic on a quarterly basis. The effect of this amendment will be accounted for in InsWeb's results of operations for the quarter ended March 31, 2002.

Securities Class Action Lawsuit

A class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York on behalf of purchasers of InsWeb common stock alleging violations of federal securities laws. The case is brought purportedly on hehalf of all persons who purchased InsWeb common stock from July 22, 1999 through December 6, 2000. The complaint names as defendants InsWeb, certain officers and directors, and three underwriters for InsWeb's initial public offering in July 1999. The complaint alleges violations of the Securities Act of 1933 and the Securites Exchange Act of 1934, on the grounds that the prospectus incorporated in the registration statements for the offering failed to disclose, among other things, that (i) the underwriters had solicited and received excessive and undisclosed commissions from certain investors in exchange for which the underwriters allocated to those investors substantial blocks of the stock sold in the initial public offering and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocate shares of the stock sold in the initial public offering to those customers in exchange for which the customers agreed to purchase additional shares of InsWeb stock in the aftermarket at pre-determined prices that were above the initial public offering price. No specific damages are claimed and InsWeb has not been served in this action. However, InsWeb believes that the allegations against InsWeb and its current and former officers and directors are without merit and intends to contest them vigorously. The litigation is in the preliminary stage, and InsWeb cannot predict its outcome. The litigation process is inherently uncertain. An unfavorable outcome could have a material adverse effect on InsWeb's financial condition, results of operations or cash flows.

Results of Operations

The following table sets forth statement of operations data as a percentage of total revenues for the periods indicated:

	Year Ended December 31,		
	2001	2000	1999
Revenues:			
Transaction fees	85.9%	80.9%	87.4%
Agency commissions	6.6	3.3	0.2
Development and maintenance fees	7.5	15.8	12.4
Total revenues	100.0	100.0	100.0
Operating expenses:			
Technology	56.5	98.6	81.4
Sales and marketing	116.0	146.6	139.2
General and administrative	29.5	48.3	34.9
Amortization of intangible assets		5.0	14.4
Amortization of stock-based compensation	1.0	3.9	5.8
Impairment of long-lived assets	74.5	19.0	
Restructuring charge	7.4	9.3	
Total operating expenses	284.9	330.7	275.7
Loss from operations	(184.9)	(230.7)	(175.7)
Interest expense	(4.2)	(0.4)	(5.7)
Interest income and other, net	8.4	19.1	15.6
Loss before cumulative effect of a change in accounting principle	(180.7)	(212.0)	(165.8)
Cumulative effect of a change in accounting principle		(7.1)	
Net loss	(180.7)%	(219.1)%	(165.8)%

Years Ended December 31, 2001 and 2000

Revenues

Transaction Fees. Transaction fees accounted for $21.3 million, or 85.9%, of total revenues in 2001, compared to $18.8 million, or 80.9%, in 2000. The increase was primarily the result of the increased number of leads generated by an increased number of completed shopping sessions. The increase in shopping sessions resulted from increased consumer traffic due to InsWeb's consumer marketing activities, and the addition of a substantial number of online relationships.

During the year ended December 31, 2001, more than 2.8 million shopping sessions were completed on InsWeb's online marketplace, a 27% increase over the 2.2 million shopping sessions completed in 2000. InsWeb recorded more than 13.3 million visitor sessions during the year ended December 31, 2001, compared to 8.0 million in 2000.

Agency Commissions. Agency commissions accounted for $1.6 million, or 6.6% of total revenues in 2001, compared to $772,000, or 3.3%, in 2000. The increase was primarily due to an increase in carrier participation in our agency program and an expansion of agency coverage from four to nine states.

Development and Maintenance Fees. Development and maintenance fees accounted for $1.9 million, or 7.5%, of total revenues in 2001, compared to $3.6 million, or 15.8%, in 2000. The decrease primarily resulted from a reduction in revenue under a development agreement with InsWeb Japan K.K. in 2000. Development fees are generated from the design and development of customized

interfaces between an insurance company's information system and the InsWeb site. InsWeb charges maintenance fees for maintaining and servicing the programs of the individual insurance companies and for maintaining any hardware at InsWeb's facility that is dedicated to specific insurance companies. As InsWeb transitions to a greater number of agency-based insurance carriers, development and maintenance fees are expected to decline in 2002.

Operating Expenses

Technology. Technology expenses consist primarily of payroll and related expenses for development and technology personnel. Technology expenses decreased to $14.0 million in 2001 from $22.9 million in 2000. The decrease was primarily attributable to a reduction in headcount resulting from InsWeb's restructuring efforts in 2000. Technology expenses in 2002 are expected to be flat or slightly lower in comparison with 2001 expenses.

Sales and Marketing. Sales and marketing expenses consist primarily of payroll and related expenses for InsWeb's sales and marketing personnel, as well as consumer marketing expenditures for advertising, public relations, promotions and fees paid to Internet companies with which InsWeb has relationships and expenses related to its customer care and insurance agency operations. Sales and marketing expenses decreased to $28.8 million in 2001 from $34.0 million in 2000. The decrease was primarily attributed to significant reductions in offline advertising relationships combined with a reduction in headcount resulting from InsWeb's restructuring efforts in 2000. Sales and marketing expenses in 2002 are expected to be flat in comparison with 2001 expenses.

General and Administrative. General and administrative expenses consist primarily of payroll and related expenses for InsWeb's management, administrative and accounting personnel, expenses relating to site operations, occupancy costs, professional fees and other general corporate expenses. General and administrative expenses decreased to $7.3 million in 2001, compared to $11.2 million in 2000. The decrease was primarily due to decreased personnel and related costs, and decreased office and occupancy costs. General and administrative expenses in 2002 are expected to flat or slightly lower in comparison with 2001 expenses.

Amortization of Intangible Assets. Amortization of intangible assets decreased to $0 in 2001, compared to $1.2 million in 2000. The decrease was attributable to the write-down of the Benelytics goodwill and other intangible assets in 2000.

Amortization of Stock-based Compensation. Amortization of stock-based compensation decreased to $256,000 in 2001 compared to $912,000 in 2000. The decrease was primarily attributable to the termination of employees resulting from InsWeb's restructuring efforts in 2000, which resulted in reduced amortization of stock based compensation in 2001.

Impairment of Long-Lived Assets. In January 2001, InsWeb acquired from Intuit certain assets associated with the online insurance shopping and purchasing service operated by Intuit Insurance Services, Inc., a wholly owned subsidiary of Intuit, Inc. Subsequent to the acquisition date, as a result of significantly lower than anticipated traffic levels, InsWeb reassessed the recoverability of the assets recorded in connection with the purchase by comparing the estimated future undiscounted cash flows expected to be generated relating to these assets to their carrying amounts. Based on this evaluation, InsWeb determined that long-lived assets with a carrying amount of $24.5 million were impaired and recorded an impairment charge of $18.5 million in the fourth quarter of 2001 as the carrying value of these assets was in excess of fair value. The fair value of the acquired assets was based on estimated future cash flows to be generated from the license and distribution agreement, discounted using a rate that is commensurate with the risk involved.

Restructuring. In the fourth quarter of 2001, InsWeb recorded a charge of $1.8 million to write-down certain leasehold improvements to their net realizable value and to establish a reserve for future lease payments relating to previously exited facilities as InsWeb's ability to sublease these facilities is uncertain.

Interest Expense

Interest expense was $1.0 million in 2001, compared to $87,000 in 2000. The increase in interest expense was primarily attributable to imputed interest associated with the long-term marketing commitments (fixed payments) recorded in conjunction with the purchase of assets from Intuit, Inc.

Interest Income and Other, Net

Interest income and other, net decreased to $2.1 million in 2001 from $4.4 million in 2000. Interest income and other, net includes income earned on InsWeb's investments and the gain (loss) on foreign currency exchange rate fluctuations associated with a note payable due to a strategic partner and stockholder incurred in connection with InsWeb's original investment in InsWeb Japan K.K. The decrease in interest income and other, net was primarily a result of decreased interest income due to lower average cash and short-term investment balances during 2001 and to a lesser extent, lower interest rates.

Years Ended December 31, 2000 and 1999

Revenues

Transaction Fees. Transaction fees accounted for $18.8 million, or 80.9%, of total revenues in 2000, compared to $19.1 million, or 87.4%, in 1999. The decrease was primarily due to the discontinuation of State Farm's participation in the InsWeb online marketplace effective May 1, 2000 and a decline in revenue per shopping session, partially offset by an increase in the number of completed shopping sessions by consumers. The increase in shopping sessions resulted from increased consumer traffic due to InsWeb's consumer marketing activities and the addition of a substantial number of online relationships.

Agency Commissions. Agency commissions accounted for $772,000, or 3.3%, of total revenues in 2000, compared to $52,000, or 0.2%, in 1999. The increase was primarily due to an increase in carrier participation in our agency program.

Development and Maintenance Fees. Development and maintenance fees accounted for $3.6 million, or 15.8%, of total revenues in 2000, compared to $2.7 million, or 12.4% in 1999. The increase in development fees resulted primarily from an increased number of participating insurance companies whose integration with the InsWeb online insurance marketplace became operational during 2000. Maintenance fees increased as a result of the expansion in the number of InsWeb's participating insurance companies. Effective January 1, 2000, InsWeb adopted SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements".

Operating Expenses

Technology. Technology expenses increased to $22.9 million in 2000 from $17.8 million in 1999. Technology expenses increased in 2000 over 1999, primarily due to the hiring of personnel to support the requirements of InsWeb's growing network of participating insurance companies and online relationships and to design, test and deploy InsWeb's expanding line of product offerings.

Sales and Marketing. Sales and marketing expenses increased to $34.0 million in 2000 from $30.4 million in 1999. The increase was due to substantial increases in consumer marketing expenses,

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including increased costs and fees associated with new and existing online relationships, costs related to national radio and television campaigns, an increase in sales and marketing personnel and operating costs associated with establishing InsWeb's customer care center to provide additional customer service.

General and Administrative. General and administrative expenses increased to $11.2 million in 2000 from $7.6 million in 1999. The increase was primarily due to increased personnel and related costs, and increased office and occupancy costs associated with additional leased office facilities.

Amortization of Intangible Assets. Amortization of intangible assets decreased to $1.2 million in 2000 from $3.1 in 1999. This amount was attributable to the write-down of intangible assets recorded in connection with the acquisition of Benelytics.

Amortization of Stock-based Compensation. Amortization of stock-based compensation was $912,000 in 2000 compared to $1.3 million in 1999. The decrease was attributable to the reduction in employees in conjunction with InsWeb's restructuring plan.

Impairment of Long-Lived Assets. Impairment of long-lived assets was $4.4 million in 2000. In 2000, InsWeb evaluated the recoverability of these assets in connection with its acquisition of Benelytics and determined, as a result of its partnership with eHealthInsurance announced in April 2000, that it would be unlikely to recover the carrying amount. Accordingly, InsWeb recorded a write-down of $4.4 million of goodwill and other intangible assets, including the assembled workforce and contractual relationships.

Restructuring Charge. In May 2000, the Board of Directors approved a plan to restructure InsWeb's operations in order to enhance operating efficiencies and to further develop its agency operations. The restructuring plan included the closure of InsWeb's facilities in Redwood City, San Carlos and Westlake Village, California and Bel Air, Maryland, the relocation of InsWeb's entire operations to the Sacramento California area, and the discontinuance of certain strategic initiatives. In 2000, InsWeb recorded a restructuring charge of $2.2 million. The charge consisted of employee separation costs of $1.0 million, asset impairment charges related to closure of its San Carlos facility of $1.3 million, and other exit costs of $895,000, offset by a lease termination fee of $1.0 million received as a result of the termination of a lease on InsWeb's San Carlos facility. The restructuring plan was completed in 2001.

Separately, InsWeb recorded charges of approximately $4.8 million for the year ended December 31, 2000 for retention agreements with key employees, relocation expenses, and other transition costs. These charges were recorded in technology, sales and marketing, and general and administrative expenses, respectively.

Interest Expense

Interest expense in 2000 was $87,000 compared to $1.2 million in 1999. Interest expense in 2000 consisted of interest payments associated with a note payable due to a strategic partner and stockholder incurred in connection with InsWeb's original investment in InsWeb Japan K.K. Interest expenses in 1999 primarily consisted of amounts relating to the outstanding line of credit as well as interest payments related to the note payable entered into in connection with InsWeb's original investment in InsWeb Japan K.K. For additional information on InsWeb's original investment in InsWeb Japan K.K. and current investment in Finance All K.K., see Note 7 of Notes to the Consolidated Financial Statements.

Interest Income and Other, Net

Interest income and other, net was $4.4 million in 2000 compared to $3.4 million in 1999. The increase in net interest income and other, net was primarily due to higher average cash and investment

balances during 2000 as a result of proceeds received from the issuance of preferred and common stock.

Critical Accounting Policies

InsWeb's discussion and analysis of its financial condition and results of operations are based on InsWeb's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires InsWeb to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. InsWeb bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. InsWeb believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Impairment of Long-Lived Assets. In assessing the recoverability of InsWeb's long-lived assets, InsWeb must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, InsWeb may have to record additional impairment charges not previously recognized.

Investment in Equity Securities. InsWeb holds a minority ownership interest in Finance All K.K., a privately-held corporation (formerly InsWeb Japan K.K. see Note 7 of Notes to the Consolidated Financial Statements for additional information). InsWeb would record an investment impairment charge when it believes an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of Finance All K.K. could result in losses or an inability to recover the carrying value of the investment that is not currently reflected in the investment's carrying value, thereby possibility requiring an impairment charge in the future.

Contingencies. As discussed above, eHealthInsurance has filed suit in U.S. District Court against InsWeb alleging InsWeb's failure to perform its obligations under the linking agreement and a class action lawsuit has been filed that alleges that InsWeb violated certain federal securities laws at the time of its initial public offering. InsWeb is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as the potential range of probable loss. Due to the inherent uncertainties of litigation, InsWeb cannot accurately predict the ultimate outcome of these matters at this time and, therefore, cannot estimate the range of probable loss. InsWeb believes it has meritorious defenses with respect to these claims. However, InsWeb cannot assure that it will prevail in these actions and therefore, a reserve may be required in the future due to new developments in these actions or changes in approach, such as a change in settlement strategy.

Liquidity And Capital Resources

At December 31, 2001, InsWeb's principal source of liquidity was $35.6 million in cash, cash equivalents and short-term investments. Since inception, InsWeb has financed its operations primarily through the sale of preferred and common stock.

Net cash used in operating activities was $11.8 million in 2001 compared to $38.3 million in 2000 and $32.3 million in 1999. In each period, the use of cash primarily consisted of InsWeb's operating loss excluding non-cash items. In 2001, the non-cash items included impairment of long-lived assets in the amount of $20.4 million, depreciation and amortization of fixed assets of $5.3 million, amortization of intangible assets of $5.6 million, and loss on disposal of equipment of $663,000. Decreases in deferred

revenue offset by decreases in prepaid expenses and other current assets affected cash used in operations in 2001. In 2000, the non-cash items included the impairment of long-lived assets of $4.4 million, depreciation and amortization of fixed assets of $3.6 million, write-down of fixed assets relating to restructuring efforts of $1.3 million, amortization of intangible assets of $1.2 million and amortization of deferred compensation of $900,000. Increases in deposits and other assets, accounts payable and accrued expenses, offset by decreases in accounts receivable, deferred revenue and other liabilities affected cash used in operations in 2000. In 1999, the non-cash items included amortization of intangible assets of $3.1 million, depreciation and amortization of fixed assets of $1.8 million and amortization of stock-based compensation of $1.3 million. Increases in accounts receivable and prepaid expenses and other current assets offset by increases in accounts payable and accrued expenses affected cash used in operations in 1999.

Net cash provided by investing activities was $3.2 million in 2001 compared to $34.6 million in 2000. Net cash used in investing activities was $74.3 million in 1999. Net cash provided by investing activities in 2001 primarily consisted of net maturities of short-term investments of $5.4 million offset by capital expenditures of $1.6 million. Net cash provided by investing activities in 2000 primarily consisted of net maturities of short-term investments of $42.7 million offset by capital expenditures of $7.5 million. Net cash used in investing activities in 1999 primarily consisted of net purchases of short-term investments of $69.1 million offset by capital expenditures of $5.2 million.

Net cash used by financing activities was $1.6 million in 2001, and net cash provided by financing activities was $2.8 million in 2000 and $124.0 million in 1999. Net cash used by financing activities in 2001, primarily represented repayments of debt of $1.5 million. Net cash provided by financing activities in 2000 primarily represented proceeds received of $2.8 million from the issuance of common stock pursuant to InsWeb's stock plans. Net cash provided by financing activities in 1999 primarily represented net proceeds of $89.6 million from the issuance of common stock in InsWeb's initial public offering, net proceeds received of $56.3 million from the issuance of preferred stock and proceeds of $1.6 million from the issuance of common stock pursuant to InsWeb's stock plans, offset by repayment of debt of $23.8 million.

As of December 31, 2001, InsWeb had the following contractual commitments (in thousands):

	Total	2002	2003	2004	2005	2006	Thereafter
Long-term marketing commitment with Intuit(1)	$ 18,000	$ 3,000	$ 4,000	$ 5,000	$ 6,000	$	$
Operating leases	25,705	3,406	3,360	3,356	3,257	3,391	8,935
Other marketing commitments	867	700	167				
Promissory note due to Stockholder	1,145	1,145					
	$ 45,717	$ 8,251	$ 7,527	$ 8,356	$ 9,257	$ 3,391	$ 8,935

(1) Future fixed payments due to Intuit in connection with the original license and distribution agreement. This agreement was amended on March 28, 2002. Under the amended agreement, InsWeb will not pay fixed payments to Intuit after May 31, 2003. Effective

November 1, 2003 InsWeb will pay Intuit a portion of the transaction fees from the Intuit internet traffic. The effect of this amendment was to reduce commitments in 2003 by $2.0 million, 2004 by $5.0 million and 2005 by $6.0 million.

InsWeb currently anticipates that its cash, cash equivalents and short-term investments will be sufficient to meet its anticipated cash needs for working capital and capital expenditures for at least the

next 12 months. Although InsWeb does not anticipate the need for additional financing, InsWeb nevertheless may need additional funds to meet all of InsWeb's anticipated operating needs, or to expand business internally or through acquisition. InsWeb cannot be certain that additional financing will be available when required, on favorable terms or at all. If InsWeb is not successful in raising additional capital as required, its business could be materially harmed. If additional funds were raised through the issuance of equity securities, the percentage ownership of InsWeb's then-current stockholders would be reduced.

Recent Accounting Pronouncements

Effective January 1, 2001, InsWeb adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities. The adoption of SFAS 133 in 2001 did not affect InsWeb's financial condition, results of operations or cash flows.

Effective July 1, 2001, InsWeb adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 prohibits the use of the pooling-of-interests method for business combinations. SFAS 141 also changes the criteria to recognize intangible assets apart from goodwill. In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangibles Assets" ("SFAS 142"), which InsWeb adopted January 1, 2002. Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually, or more frequently if indications of possible impairment exist, for impairment. The adoption of SFAS 141 and SFAS 142 did not affect InsWeb's financial condition, results of operations or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides guidance for accounting and reporting for the impairment or disposal of long-lived assets. InsWeb adopted SFAS 144 effective January 1, 2002. The adoption of SFAS 144 did not affect InsWeb's financial condition, results of operations or cash flows.

Factors That May Affect Our Future Performance

Our future business, operating results and financial condition are subject to various risks and uncertainties, including those described below.

Our business is difficult to evaluate because we did not begin to generate significant revenues from our core business until 1998

We were incorporated in February 1995, but we did not begin to generate significant transaction fees from our online marketplace until 1998. Our limited operating history makes an evaluation of our future prospects very difficult. An investor in our common stock must consider the uncertainties frequently encountered by early stage companies in new and rapidly evolving markets. These uncertainties include:

- an evolving and unpredictable business model, which makes prediction of future results uncertain and an investment in our common stock highly speculative;
- the development of comparable services by competitors, which may reduce our market share;
- the uncertainty of the extent to which the consumer market will adopt the Internet as the preferred medium for comparison shopping for and purchase of insurance products, which may limit our ability to generate revenue from consumers that visit

- our online marketplace or our insurance agency;
- our potential inability to successfully manage our anticipated growth, which could lead to management distractions and increased operating expenses;
- our ability to retain key employees; and
- our reliance on key customers and ability to retain customers.

To address these uncertainties, we must, among other things:

- refine our business model;
- work to expand the efficiencies and geographic coverage of our agency activities;
- enhance the brand identity of our online insurance marketplace;
- maintain and increase our strategic alliances with other online businesses to increase traffic to our website;
- maintain, increase and geographically diversify our base of participating insurance companies;
- continue to ensure that our participating insurance companies offer competitive insurance products;
- satisfy legal and regulatory requirements applicable to the insurance industry; and
- continue to address consumer privacy concerns.

Our business strategy may not be successful and we may not be able to successfully address these uncertainties. Moreover, our ability to take the foregoing steps may be hampered by our limited financial resources should we fail to rapidly increase revenues or should increased revenues be more than offset by increased operating expenses.

We have a history of losses, we expect future losses, and we may not achieve or maintain profitability

Given planned investment levels, our ability to achieve profitability will depend upon our ability to generate and sustain substantially increased revenues. As a result, we believe that we will incur significant operating losses for the foreseeable future. We incurred operating losses of $46.0 million for

the year ended December 31, 2001, $53.6 million for the year ended December 31, 2000, and $38.4 million for the year ended December 31, 1999. As of December 31, 2001, our accumulated deficit was $170.2 million. Our operating results for future periods are subject to numerous uncertainties, and we may not achieve sufficient revenues to become profitable. Even if we achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis in the future. If we are unable to achieve profitability, or if our profitability is delayed we may need to seek additional financing to continue our business operations. Such financing could be on terms that are dilutive to our existing stockholders or could involve the issuance of securities that have rights and preferences that are senior to those associated with our common stock. Moreover, if such financing were not available or were available only upon terms that were unacceptable to us, we could be required to significantly curtail our operations.

Our future revenues are unpredictable, our operating results are likely to fluctuate from quarter to quarter, and if we fail to meet the expectations of securities analysts or investors, our stock price could decline significantly

Due to our limited operating history, the emerging nature of the market in which we compete and the high proportion of our revenues that are derived from consumer traffic on our website, our future revenues are inherently difficult to forecast. We believe that period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of our future performance. Moreover, our expense levels are based largely on our investment plans and estimates of future revenues. We may be unable to adjust our spending to compensate for an unexpected shortfall in revenues. Accordingly, any significant shortfall in revenues relative to our planned expenditures would harm our results of operations and could cause our stock price to fall sharply, particularly following quarters in which our operating results fail to meet the expectations of securities analysts or investors.

Factors that may cause fluctuations in our operating results include the following, many of which are outside our control:

- We may experience consumer dissatisfaction with our online marketplace as we add or change features, or as the insurance coverage offered by participating insurance companies varies;
- Consumer traffic on our online marketplace may decline as a result of the announcement or introduction of a competing online insurance marketplace or other new websites, products or services offered by our competitors;
- Such consumer traffic may also fluctuate as a result of changes in consumer acceptance of Internet commerce, particularly in connection with shopping for insurance;
- Our revenues may be harmed if we lose one or more significant insurance company relationships or if any of our participating insurance companies merge with one another;
- Use of the Internet by consumers may fluctuate due to seasonal factors or other uncontrollable factors affecting consumer behavior and may be affected by slow Internet performance due to technical problems or traffic bottlenecks on the network;
- Our ability to convert site visits into transaction fees and/or revenue from insurance agency activities may fluctuate due to changes in our user interface or other features on our site or changes in the underwriting criteria used by our participating insurance companies to determine which consumers will be offered quotes; and
- Our ability to generate transaction fees and/or revenue from insurance agency activities may also be harmed due to technical difficulties on our website that hamper a consumer's ability to start or complete a shopping session.

Seasonality affecting insurance shopping and Internet usage may cause fluctuations in our operating results

We have experienced seasonality in our business associated with general slowness in the insurance industry during the year-end holiday period. We expect to continue to experience seasonality as our business matures. Because of this seasonality, investors may not be able to predict our annual operating results based on a quarter-to-quarter comparison of our operating results. We believe seasonality will have an ongoing impact on our business.

Because a significant portion of our revenue is attributable to automobile insurance shopping on our online marketplace, we are especially vulnerable to risks related to the online market for automobile insurance or the automobile insurance industry generally

Automobile insurance accounted for approximately 67% of our transaction revenues in 2001, approximately 69% in 2000 and approximately 78% in 1999. We anticipate that automobile insurance will continue to account for a substantial portion of our revenues for the foreseeable future. As a result, if we fail to attract a broad base of consumers to shop for automobile insurance on our site, or if changes in the automobile insurance industry make electronic commerce a less attractive means to shop for this type of insurance, our ability to generate revenue will be reduced and our business will be harmed. In addition, property and casualty insurance, including automobile insurance, is subject to operating cycles. During a cycle in which loss ratios rise, insurance companies may choose to restrict the amount of business they write while they await approval of rate increases from the various state insurance departments. Our business could be harmed if our participating insurance companies reduce their participation in our online marketplace.

If we are unable to promote our brand and expand our brand recognition, our ability to draw consumers to our website will be limited

A growing number of websites offer services that are similar to and competitive with the services offered on our online insurance marketplace. Therefore, a positive recognition of our brand is critical to attracting additional consumers to our website, strengthening our relationships with participating insurance companies and attracting new insurance companies. In order to attract and retain consumers and insurance companies and to promote and maintain our brand, through the first quarter of 2000, we increased our financial commitment to creating and maintaining prominent brand awareness. Beginning in the second quarter of 2000, our consumer marketing program has been reduced and our radio and television marketing campaigns have been discontinued. Our current marketing program consists of the maintenance of certain network online relationships and other selective cost effective marketing campaigns, designed to maintain consumer awareness of InsWeb and our online insurance marketplace. If our marketing efforts do not generate a corresponding increase in revenues or we otherwise fail to successfully promote our brand, or if these efforts require excessive expenditures, our business will be harmed. Moreover, if visitors to our website do not perceive our existing services or the products and services of our participating insurance companies to be of high quality, or if we alter or modify our brand image, introduce new services or enter into new business ventures that are not favorably received, the value of our brand could be harmed.

Our plans to offer additional services could result in significant expenditures, and we may not generate sufficient revenue to offset these expenditures

We intend to offer additional services including, among other things:

- performing activities on behalf of an increased number of insurance companies as an authorized agent;

- adding new insurance companies and helping our existing insurance companies to expand the number of states in which they are offering coverage in our online marketplace;
- increasing the level of technology integration between our platform and the systems of our participating insurance companies; and
- continuing our market presence through relationships with Internet portals, financial institutions, websites oriented to activities that involve the purchase of insurance, such as automobile shopping sites, and other online companies.

We may not be able to offer these additional services in a cost-effective or timely manner, or these efforts may not increase the overall market acceptance of our products and services. Expansion of our operations in this manner could also require significant additional expenditures and strain our management, financial and operational resources. The lack of market acceptance of these efforts, regulatory issues, or our inability to generate enough revenue from these expanded services or products to offset their cost could harm our business.

Competition in the market for online distribution of insurance is intense, and if we are unable to compete effectively with current competitors or new competitors that enter the market, the fees paid to us by participating insurance companies may fall, the fees charged by online companies with which we have strategic relationships may rise, and our market share may suffer

The online insurance distribution market is a new industry and, like the broader electronic commerce market, is both rapidly evolving and highly competitive. Increased competition, particularly by companies offering online insurance distribution, could reduce the fees we are able to charge our participating insurance companies or increase the fees we are required to pay to online companies with which we have strategic relationships, resulting in reduced margins or loss of market share, any of which could harm our business. In addition, our current and future competitors may be able to:

undertake more extensive marketing campaigns for their brands and services;

devote more resources to website and systems development;

adopt more aggressive pricing policies; and

make more attractive offers to potential employees, online companies and third-party service providers.

Accordingly, we may not be able to maintain or grow consumer traffic to our website and our base of participating insurance companies, our competitors may grow faster than we do, or companies with whom we have strategic relationships may discontinue their relationships with us, any of which would harm our business.

If our participating insurance companies or our insurance agency do not continue to provide high quality products and service to consumers, our brand will be harmed and our ability to attract consumers to our website will be limited

Our ability to maintain a positive recognition of our brand depends in part on the quality of the products and services consumers receive from our participating insurance companies or our insurance agency, including timely response to requests for quotes or coverage. If we are unable to provide consumers with high-quality products and services, the value of our brand may be harmed and the number of consumers using our services may decline. We have from time to time received complaints from consumers who have not received a timely response to a request for an insurance quote. Although we have taken steps to increase responsiveness to consumer requests, these steps and/or proposed methods may not be successful. In addition, if any of our major participating insurance companies were

to discontinue their business, be downgraded by insurance company rating services or be financially harmed by trends in the insurance industry, our brand may be harmed.

Our plan to expand our online insurance agency operations will require significant resources and we may not be able to generate sufficient revenues to recover our expenses

Since October 1999, InsWeb has been operating an online insurance agency business. Our online agency receives a commission on the sale and renewal of the automobile insurance polices sold though its offices. Our plan to expand our online agency operations requires that we attract and retain highly skilled sales agents and customer care personnel. We will face competition from other agencies and insurance companies for these agents. In addition, we will need additional carriers to appoint us as an agent and pay us commissions. Although the agency infrastructure is already in place, integration of additional carriers into our online agency operations may take more time and be more expensive than we project. If we are unable to implement our expansion in a timely and cost-effective manner, we may not be able to recover our costs and our business will be harmed.

Because a limited number of customers account for a majority of our revenues, the loss of a single customer relationship could result in a substantial drop in our revenues

Revenues from Amica, GE Financial Assurance and AIG accounted for approximately 11%, 11%, and 10%, respectively, of our revenues in 2001. Revenues from State Farm, AIG, and GE Financial Assurance accounted for approximately 14%, 11% and 9%, respectively, of our revenues in 2000, and revenues from State Farm, AIG and American Family accounted for approximately 31%, 11% and 11%, respectively, of our revenues in 1999. In May 2000, State Farm discontinued participating in InsWeb's marketplaces for automobile, term life, homeowners, condominium and renters insurance. As a result of State Farm's withdrawal, revenues for the second quarter of 2000 from State Farm declined to approximately 15% of total revenues, and no revenue from State Farm has subsequently been recognized. Should one or more of our other key insurance company partners cease to participate in our online marketplace, change its underwriting criteria or geographic coverage in a way that reduces the proportion of consumers that are offered quotes from that insurance company, or suffer a significant decline in its ratings, our operating results could be materially harmed. Because of the broad market presence of some of our participating insurance companies, we expect to continue to generate a substantial portion of our revenues from a limited number of insurance companies for the foreseeable future. Although InsWeb continually seeks new carriers to participate in the online marketplace, we may be unable to add any new carriers.

In most jurisdictions, we rely on the participation of a limited number of insurance companies on our online marketplace, and the loss of any of these insurance companies could make our online marketplace less attractive to consumers

Consumer demand for the services offered on our website in any jurisdiction is substantially dependent upon the participation of competing brand-name insurance companies offering competitive quotes for a given insurance product in that jurisdiction. Accordingly, the success of our business depends on our ability to attract and retain well-known insurance companies to participate in our marketplace. Although we currently have relationships with a significant number of insurance companies overall, in individual jurisdictions where competing quotes for comparable products are available on our online marketplace, the number of companies offering quotes ranges from one to 15. If we are unable to increase the number of insurance companies that participate in our online marketplace, particularly in the jurisdictions where we currently offer comparable insurance products from only three or fewer insurance companies, we may not be able to attract additional consumers or may lose our existing consumers to other online competitors offering a wider variety of insurance companies. At December 31, 2001, there were 17 jurisdictions in which three or fewer insurance

companies were offering automobile insurance quotes on our online marketplace. No automobile insurance quotes are available in New Jersey, and as of December 31, 2001, there was one jurisdiction in which only one insurance company is offering automobile quotes on our online marketplace. If any insurance company participating in a number of jurisdictions discontinued or significantly reduced its participation in our online marketplace, the attractiveness of the marketplace to consumers in these jurisdictions would be greatly diminished.

In addition, we believe that there is a general trend toward consolidation in the insurance industry. In the jurisdictions where we currently offer comparable insurance products from three or fewer insurance companies, the loss of one or more of these companies, whether due to industry consolidation or otherwise, could materially reduce the selection of insurance companies available to consumers on our website, thereby substantially reducing the attraction of our online marketplace to consumers.

We may have difficulty integrating new insurance companies into our online marketplace or agency operations, which could harm our ability to offer improved comparison shopping opportunities and thus limit the attractiveness of our service to consumers

Integration of an insurance company into our online marketplace requires a significant commitment of time and resources on our part and on the part of the insurance company, and is a technologically difficult process. This integration process typically takes from three to six months to complete and typically requires us to expend between 160 and 2,000 man-hours. To develop company-sponsored quotes for consumers, the integration requires either the development of a customized interface with the carrier's own rating system, accessing a third-party rating engine of the carrier's choice, or adding the carrier's rating information into InsWeb's proprietary rating engines. Though integration into our agency operations may require fewer resources to implement than integration of an insurance company into our online marketplace, potential participating insurance companies may not be willing to invest the time and resources necessary to achieve this integration, or we may not be able to overcome the technological difficulties associated with, or devote the time and resources necessary to, successfully integrate the insurance company into our online marketplace or our agency operations.

We do not have exclusive relationships or long-term contracts with insurance companies, which may limit our ability to retain these insurance companies as participants in our marketplace and maintain the attractiveness of our services to consumers

We do not have an exclusive relationship with any of the insurance companies whose insurance products are offered on our online marketplace, and thus, consumers may obtain quotes and coverage from these insurance companies without using our website. Our participating insurance companies offer their products directly to consumers through insurance agents, mass marketing campaigns or through other traditional methods of insurance distribution. These insurance companies can also offer their products and services over the Internet, either directly to consumers or through one or more of our online competitors, or both. In addition, most of our agreements with our participating insurance companies are cancelable at the option of either party upon 90 days' notice or less. We have experienced, and expect to continue to experience, reductions in the level of participation in our marketplace or complete termination by participating insurance companies. These reductions in participation, terminations, or an inability to attract additional insurance companies to our marketplace could materially affect our revenues and harm our business.

The outcome and impact of litigation with our former health insurance provider is uncertain

In February 2001, InsWeb temporarily suspended its online health insurance quoting services due to the decision by eHealthInsurance, formerly InsWeb's exclusive provider of online health insurance quotes, to unilaterally terminate the relationship. In April 2000, the two companies signed a two-year online distribution agreement by which eHealthInsurance became the exclusive provider of individual health, small-group health and Medicare supplement insurance quotes to InsWeb's users through a co-branded website. In February 2001, eHealthInsurance disabled the co-branded website and filed suit in the U.S. District Court for the Northern District of California alleging InsWeb's failure to perform its obligations under the agreement. In March 2001, eHealthinsurance amended its suit to add allegations that InsWeb interfered with its business relationships. The complaint as amended seeks unspecified compensatory and punitive damages. InsWeb filed a counterclaim in March 2001 alleging that eHealthInsurance wrongfully terminated the linking agreement and pursued a course of conduct aimed at damaging InsWeb's business. The outcome of the lawsuit is uncertain. Even if InsWeb is successful in its counterclaim and receives a significant judgment at trial, it may be difficult to collect. Moreover, our business would be harmed if a significant portion of our assets would have to be used to satisfy an adverse judgment, and an adverse judgment could damage our reputation and make it more difficult to maintain or expand our business relationships. Although InsWeb maintains customary types of insurance, these policies may not provide adequate coverage for the types of claims asserted by eHealthInsurance.

Traffic on our website is heavily dependent on our online relationships. These relationships may not generate sufficient revenues to justify the fees we pay to online companies. Further, our consumer traffic may decline in the event an online relationship is unsuccessful

We rely on relationships with a variety of Internet portals, financial institutions, and other online companies to attract consumers to our website. In a typical arrangement, the online company includes a "link" on its website on which a user can click to jump to our website or to a site that we operate under the online company's name; as part of the arrangement, we typically pay the online company a portion of the resulting transaction fees and in some cases a fixed fee. These relationships may not continue to generate a substantial amount of new traffic on our website, or the revenues generated by these relationships may be insufficient to justify our payment obligations. We have experienced occasional fluctuations in the traffic from our online partners, often as a result of redesigns of their websites. Furthermore, the value of these relationships is based on the continued positive market presence, reputation and growth of these online companies' websites and services. Any decline in the market presence, business or reputation of these online companies' websites and services will reduce the value of these relationships to us and could harm our business.

We have entered into significant marketing arrangements with Yahoo! Inc. and MSN and AOL. For the years ended December 31, 2001, 2000 and 1999, we received approximately 32.2%, 24.5% and 10.1% of our website traffic from these online relationships, respectively. Although we are not able to determine the revenue attributed to each of these relationships with precision, we estimate that traffic from these relationships accounted for 7.8%, 17.2% and 2.7% of our revenues for the year ended December 31, 2001, respectively. In January 2001 we entered into an agreement with Intuit, Inc by which InsWeb will serve as the exclusive aggregator of online consumer insurance services for Quicken.com®, QuickenInsurance and certain Quicken consumer desktop products. We did not renew our agreement with MSN for 2002, and our status as exclusive provider to Yahoo! and AOL was converted to non-exclusive, effective November 1, 2001 and January 1, 2002 respectively. Our ability to increase our revenues will depend, in part, on our ability to generate increased traffic to our website that we expect to generate through these significant online relationships.

Most of our relationships with online companies, excluding Yahoo!, MSN, Lycos, AOL, and these agreements, are terminable by either party on 30 to 90 days' notice. We may not be able to negotiate or renew marketing agreements with online companies on terms that are acceptable to us. The termination, non-renewal or renewal on unfavorable terms of a relationship from which we generate significant traffic to our website would harm our business. If the recent trend of failing online companies continues, the traffic currently being received as well as the ability to attract new consumer

traffic to our site could be harmed. Additionally, an online company's failure to maintain efficient and uninterrupted operation of its computer and communications hardware systems would likely reduce the amount of traffic we receive at our site, harming our business.

Laws and regulations that govern the insurance industry could expose us, or our participating insurance companies, our officers, or agents with whom we contract, to legal penalties if we fail to comply, and could require changes to our business

We perform functions for licensed insurance companies and are, therefore, required to comply with a complex set of rules and regulations that often vary from state to state. If we fail to comply with these rules and regulations, we, an insurance company doing business with us, our officers, or agents with whom we contract, could be subject to various sanctions, including censure, fines, a cease-and-desist order or other penalties. This risk, as well as changes in the regulatory climate or the enforcement or interpretation of existing law, could expose us to additional costs, including indemnification of participating insurance companies for their costs, and could require changes to our business or otherwise harm our business. Furthermore, because the application of online commerce to the consumer insurance market is relatively new, the impact of current or future regulations on InsWeb's business is difficult to anticipate.

The Gramm-Leach-Bliley Act may alter the traditional structure of insurance regulation and impose new or additional legal requirements on our business

The November 1999 passage of the Gramm-Leach-Bliley Act (S.900) increased the potential for significant changes in the structure and regulation of the insurance industry. Traditionally, regulation of insurance has been almost exclusively the province of the states, including regulation of sales practices, underwriting requirements and claims payments. Moreover, with limited exceptions, securities firms and banking institutions historically were prohibited from engaging in the business of insurance, and were regulated by federal agencies. The Gramm-Leach-Bliley Act eliminated these legislative barriers between segments of the financial services industry. Although insurance will still be regulated primarily by the states, insurance entities that become part of a financial services institution may be indirectly affected by the federal regulatory requirements pertaining to banks or securities firms.

Our intended expansion of our business, including, in particular, our agency activities, will subject us to additional regulations which may delay or prevent our expansion and harm our business

Over time, we intend to expand our operations to include new products and services and to offer existing and new products in new jurisdictions, which may require us to comply with additional laws and regulations. If we fail to adequately comply with these laws and regulations, our ability to offer some of our products or services in a particular jurisdiction could be delayed or prevented and our business could be harmed. Compliance with these laws and regulations and those of other jurisdictions into which we expand may require us to obtain appropriate business licenses, make necessary filings and obtain necessary bonds, appoint foreign agents and make periodic business reports.

If we are unable to safeguard the security and privacy of consumers' and participating insurance companies' confidential data, consumers and insurance companies may not use our services and our business may be harmed

A significant barrier to electronic commerce and communications is the secure transmission of personally identifiable information of Internet users as well as other confidential information over public networks. If any compromise or breach of security were to occur, it could harm our reputation and expose us to possible liability. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by

any breaches. To date, we have experienced no breaches in our network security. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as names, addresses, Social Security and credit card numbers, user names and passwords and insurance company rate information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the algorithms we use to protect consumers' and insurance companies' confidential information.

Uncertainty in the marketplace regarding the use of Internet users' personal information, or proposed legislation limiting such use, could reduce demand for our services and result in increased expenses

Concern among consumers and legislators regarding the use of personal information gathered from Internet users could create uncertainty in the marketplace. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business. Legislation has been proposed at both the federal and state levels that would limit the uses of personally identifiable information of Internet users gathered online or require online services to establish privacy policies. In addition, the Federal Trade Commission has adopted regulations affecting the information gathering practices of online companies, and it has brought suit against several high profile companies for failing to adhere to the privacy policies posted on their websites. Many state insurance codes limit the collection and use of personal information by insurance companies, agents, or insurance service organizations. Failure to adhere to the growing body of privacy regulations could result in administrative actions or private litigation and harm our business.

System failures could reduce or limit traffic on our website and harm our ability to generate revenue

Since launching our online marketplace, we have experienced occasional minor system failures or outages which have resulted in the online marketplace being out of service for a period ranging from several minutes to three hours while our technicians brought backup systems online.

We may experience further system failures or outages in the future that could disrupt the operation of our website and could harm our business. Our revenues depend in large part on the volume of traffic on our website and, more particularly, on the number of insurance quotes generated by our website in response to consumer inquiries. Accordingly, the performance, reliability and availability of our website, quote-generating systems and network infrastructure are critical to our reputation and our ability to attract a high volume of traffic to our website and to attract and retain participating insurance companies. Moreover, we believe that consumers who have a negative experience with an electronic commerce website may be reluctant to return to that site. Thus, a significant failure or outage affecting our systems could result in severe long-term damage to our business.

Our website may not perform at levels that are satisfactory to consumers

We are continually enhancing and expanding our technology, quote generating systems, network infrastructure and other technologies to accommodate the volume of traffic on our website. We may be unsuccessful in these efforts or we may be unable to accurately project the rate or timing in the volume of traffic on our website. In addition, we cannot predict whether additional network capacity will be available from third party suppliers as we need it. Also, our network or our suppliers' networks might be unable to timely achieve or maintain a sufficiently high capacity of data transmission to timely process orders or effectively download data, especially if our website traffic increases. Our failure to achieve or maintain high capacity data transmission could significantly reduce consumer demand for our services.

Our facilities and systems are vulnerable to natural disasters and other unexpected losses, and we may not have adequate insurance to cover such losses

Our computer hardware operations are located in leased facilities in Gold River, California. A full backup system is maintained by a third-party service provider located in Rancho Cordova, California. If both of these locations experienced a system failure, the performance of our website would be harmed. These systems are also vulnerable to damage from fire, power loss, telecommunications failures, break-ins, natural disasters and similar events. If we seek to replicate our systems at other locations, we will face a number of technical challenges, particularly with respect to database replications, which we may not be able to address successfully. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions.

We may experience technological problems or service interruptions with individual insurance companies, which could harm the quality of service on our website

Several of our participating insurance companies have chosen a technical solution that requires that our Web servers communicate with these insurance companies' computer systems in order to perform the underwriting and risk analysis and rating functions required to generate quotes. Thus, the availability of quotes from a given insurance company may depend in large part upon the reliability of that insurance company's own computer systems, over which we have no control. A malfunction in an insurance company's computer system or in the Internet connection between our Web servers and the insurance company's system, or an excess of data traffic on that system, could result in a delay in the delivery of e-mail quotes or could cause an insurance company that provides instant quotes to go offline until the problem can be remedied. Moreover, the malfunction could cause the carrier to dispute the number of leads it received from InsWeb. Further, a computer malfunction could cause an insurance company to quote erroneous rates, in which case the insurance company would be required to take itself offline until the malfunction can be corrected. Any technological problems with or interruption of communications with an insurance company's computer systems could materially reduce the number of competing insurance companies available to provide quotes, and therefore the level of service perceived by consumers, on our online marketplace.

We rely on the services of our executive officers and other key personnel, whose knowledge of our business and the insurance industry and technical expertise would be extremely difficult to replace

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly Hussein A. Enan, our Chairman and Chief Executive Officer; and Mark P. Guthrie, our President and Chief Operating Officer. The loss of the services of any of our executive officers or other key employees could harm our business.

We have no long-term employment agreements with any of our key personnel other than Mr. Enan, whose employment agreement expires in July 2002. We maintain a $2 million life insurance policy on Mr. Enan and Mr. Guthrie that names us as the beneficiary, but maintain no similar insurance on any of our other key employees. Additionally, InsWeb granted stock options as incentives to executive officers and new employees, including Mr. Guthrie, and certain other key personnel. As the value of these incentives are highly dependent on an increase in the market price of our common stock, we may be unable to retain such key employees, nor retain or recruit other officers and key employees in the future.

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Because of intense competition for personnel, we may not be able to recruit or retain necessary personnel, which could slow the process of adding new insurance companies to our website or otherwise harm our business

Our future success depends on our continuing ability to attract, retain and motivate highly skilled employees, particularly with respect to technology development and implementation, including integration of insurance companies into our online marketplace. If we are not able to attract and retain new personnel, particularly within our technology development and implementation team, our business will be harmed. The implementation of new insurance companies on our site is a technologically complex and labor-intensive process. Accordingly, any difficulty we face in attracting and retaining talented development and implementation personnel could slow the process of adding new insurance companies to our online marketplace and therefore limit our ability to increase the attractiveness of our services to consumers. As competition for personnel is intense, we may be unable to retain our key employees or attract, assimilate or retain other highly qualified employees in the future. We have from time to time experienced, and we may experience in the future, difficulty in hiring and retaining employees with appropriate qualifications.

If the Internet does not continue to develop and reliably support the demands placed on it by electronic commerce and other high volume applications, our business will suffer

The Internet may not become a viable medium for commerce or comparison insurance shopping for a number of reasons, including potentially inadequate development of the necessary network infrastructure or delayed development of enabling technologies and performance improvements. If the Internet continues to experience significant growth in the number of users, levels of traffic or networks' capacities for transmitting large amounts of data, the Internet's infrastructure may not be able to support the demands placed upon it. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face additional outages and delays in the future. These outages and delays could reduce the level of traffic and therefore the number of consumer insurance inquiries on our website. In addition, the Internet could lose its viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. Changes in or insufficient availability of telecommunications services to support the Internet could also result in slower response times and reduced use of the Internet.

Regulation of the Internet is unsettled, and future regulations could inhibit the growth of the Internet and otherwise harm our business

The laws governing the Internet remain largely unsettled, even in areas where there has been some legislative action. Furthermore, the growth and development of the market for electronic commerce may prompt the enactment of more stringent consumer protection laws that may impose additional burdens on companies conducting business online. The adoption of additional laws or regulations may inhibit the growth of the Internet as a medium for commerce and comparison insurance shopping, which could, in turn, decrease demand for our services, increase our cost of doing business, or otherwise harm our business. In addition, applicability to the Internet of existing laws governing issues including property ownership, copyrights and other intellectual property issues, taxation, libel and personal privacy is uncertain. The vast majority of these laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

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Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and harm our operating results

We may acquire or make investments in complementary businesses, technologies, services or products if appropriate opportunities arise. The process of integrating any acquired business, technology, service or product into our business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume much of our management's time and attention that would otherwise be available for ongoing development of our business. Moreover, the anticipated benefits of any acquisition may not be realized. We may be unable to identify, negotiate or finance future acquisitions successfully, or to integrate successfully any acquisitions with our current business. Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could harm our business.

We may be unable to protect our intellectual property rights

We regard our intellectual property as critical to our success. We rely on trademark, copyright and trade secret laws to protect our proprietary rights. We have registered the INSWEB mark in the United States, Japan, France, Germany, South Korea, Japan and the United Kingdom and applications are pending in several other countries. Other United States and worldwide trademark applications include, but are not limited to, eAgent, InsWeb.com, Powered by InsWeb, and Where You and Your Insurance Really Click. We have patent applications on file in the United States. Our trademark registration and patent applications may not be approved or granted, or, if granted, may be successfully challenged by others or invalidated through administrative process or litigation. Notwithstanding these laws, we may be unsuccessful in protecting our intellectual property rights or in obtaining patents or registered trademarks for which we apply.

We may be subject to claims for infringement of intellectual property, with or without merit, which could be costly to defend or settle

We may from time to time be subject to claims of infringement of other parties' proprietary rights or claims that our own trademarks, patents or other intellectual property rights are invalid. We have been subject to infringement claims in the ordinary course of business, including claims of alleged infringement of the patent and trademark rights of third parties by us and companies with which we have business relationships. Any claims of this type, with or without merit, could be time-consuming to defend, result in costly litigation, divert management attention and resources or require us to enter into royalty or license agreements. License agreements may not be available on reasonable terms, if at all, and the assertion or prosecution of any infringement claims could significantly harm our business.

We incorporate third-party technologies and services into our online marketplace, and if the providers of these technologies and services fail in a timely manner to develop, license or support technology necessary to our services, market acceptance of our online marketplace could be harmed

We have incorporated technology developed by third parties into our online marketplace, and we will continue to incorporate third-party technology in our future products and services. We have limited control over whether or when these third-party technologies will be developed or enhanced. If a third-party fails to timely develop, license or support technology necessary to our services, market acceptance of our online marketplace could be harmed.

Our stock price has fluctuated widely, and Internet stocks in general have been extremely volatile

The trading price of our common stock has been highly volatile and may be significantly affected by factors including actual or anticipated fluctuations in our operating results, new products or new contracts by us or our competitors, loss of key customers, conditions and trends in the electronic commerce and insurance industries, changes in financial estimates by securities analysts, general market conditions and other factors. The trading prices of many Internet stocks have experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These fluctuations may continue and could harm our stock price. Any negative change in the public's perception of the prospects of Internet or electronic commerce companies could also depress our stock price regardless of our results.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders

Provisions of Delaware law and our certificate of incorporation and bylaws could make more difficult the acquisition of us by means of a tender offer, a proxy contest, or otherwise, and the removal of incumbent officers and directors.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

InsWeb is exposed to financial market risks including changes in interest rates and, to a lesser degree, foreign currency exchange rates. The fair value of InsWeb's investment portfolio or related income would not be significantly impacted by either a 10% increase or decrease in interest rates due mainly to the short term nature of the major portion of InsWeb's investment portfolio. InsWeb's interest income is sensitive to changes in the general level of U.S. interest rates, particularly since all of our funds are invested in instruments with maturities currently less than one year. InsWeb's policy is to limit the risk of principal loss and ensure the safety of invested funds by limiting market and credit risk. Funds in excess of current operating requirements are invested in obligations of the U.S. government and its agencies and investment grade obligations of state and local governments and large corporations.

The table below represents carrying amounts and related weighted-average interest rates by year of maturity of InsWeb's investment portfolio at December 31, 2001:

(in thousands, except interest rates)	
Cash equivalents	$ 11,947
Average interest rate	1.79%
Short-term investments	$ 20,936
Average interest rate	2.34%
Total investment securities	$ 32,883
Average interest rate	2.12%

InsWeb's revenue and capital spending is transacted in U.S. dollars. InsWeb's investment in Finance All K.K. and the note payable to a strategic partner and stockholder is denominated in Japanese Yen. InsWeb has not engaged in hedging transactions to reduce its exposure to fluctuations that may arise from changes in foreign exchange rates. Based on InsWeb's overall currency rate exposure at December 31, 2001, a near-term 10% appreciation or depreciation would have an immaterial affect on InsWeb's financial condition, operating results or cash flows.

Item 8. Consolidated Financial Statements and Supplementary Data.

The Reports of Ernst & Young LLP, Independent Auditors and PricewaterhouseCoopers LLP, Independent Accountants, Consolidated Financial Statements and Notes to Consolidated Financial Statements follow below on pages F-1 to F-30.

INSWEB CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Ernst & Young LLP, Independent Auditors

To the Board of Directors and Stockholders of
InsWeb Corporation

We have audited the consolidated balance sheet of InsWeb Corporation as of December 31, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of InsWeb Corporation for the years ended December 31, 2000 and 1999, were audited by other auditors whose report dated January 31, 2001, expressed an unqualified opinion on those statements and included an explanatory paragraph that describes a change in the Company's revenue recognition policies to apply the accounting and disclosure provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," as discussed in Note 3 to these financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the consolidated financial position of InsWeb Corporation at December 31, 2001, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Sacramento, California
January 25, 2002,
except for Note 19, as to which the date is
March 28, 2002

Report of PricewaterhouseCoopers LLP, Independent Accountants

To the Board of Directors and Stockholders of
InsWeb Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of InsWeb Corporation and Subsidiaries (InsWeb) at December 31, 2000, and the results of their operations and of their cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of InsWeb's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

Sacramento, California
January 31, 2001

INSWEB CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except per share amounts)

	December 31,	
	2001	**2000**
Assets		
Current assets:		
Cash and cash equivalents	$ 14,627	$ 24,795
Short-term investments	20,936	26,331
Accounts receivable, net of allowances of $167 and $135	2,672	2,935
Prepaid expenses and other current assets	1,169	3,852
Total current assets	39,404	57,913
Property and equipment, net	3,798	8,666
Prepaid marketing costs	6,020	

	December 31,	
Investment in Finance All K.K.	1,591	1,908
Deposits and other assets	3,529	4,521
Total assets	$ 54,342	$ 73,008
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 902	$ 1,010
Accrued expenses	3,510	2,122
Deferred revenue	1,156	3,124
Marketing commitment with stockholder, current portion	2,026	
Payable to stockholder, current portion	1,145	
Total current liabilities	8,739	6,256
Long-term marketing commitment with stockholder	13,490	
Payable to stockholder		1,312
Other liabilities	341	1,556
Total liabilities	22,570	9,124
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, $0.001 par value. Authorized: 5,000 shares; no shares issued or outstanding at 2001 and 2000		
Common stock, $0.001 par value. Authorized: 25,000; 7,067 shares issued and 7,030 shares outstanding at 2001 and 5,879 shares issued and outstanding at 2000	7	6
Paid-in capital	202,248	189,385
Treasury stock, 37 shares at 2001 and none at 2000.	(204)	
Deferred stock compensation		(309)
Accumulated other comprehensive income (loss)	(95)	60
Accumulated deficit	(170,184)	(125,258)
Total stockholders' equity	31,772	63,884
Total liabilities and stockholders' equity	$ 54,342	$ 73,008

See accompanying notes.

INSWEB CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands except per share amounts)

	Years Ended December 31,		
	2001	**2000**	**1999**

	Years Ended December 31,		
Revenues:			
Transaction fees	$ 21,342	$ 18,789	$ 19,095
Agency commissions	1,634	772	52
Development and maintenance fees	1,880	3,649	2,694
Total revenues	24,856	23,210	21,841
Operating expenses:			
Technology	14,041	22,890	17,778
Sales and marketing	28,821	34,020	30,413
General and administrative	7,345	11,207	7,631
Amortization of intangible assets		1,150	3,129
Amortization of stock-based compensation	256	912	1,272
Impairment of long-lived assets	18,519	4,418	
Restructuring charge	1,843	2,167	
Total operating expenses	70,825	76,764	60,223
Loss from operations	(45,969)	(53,554)	(38,382)
Interest expense	(1,043)	(87)	(1,229)
Interest income and other, net	2,086	4,429	3,410
Loss before cumulative effect of a change in accounting principle	(44,926)	(49,212)	(36,201)
Cumulative effect of a change in accounting principle		(1,635)	
Net loss	$ (44,926)	$ (50,847)	$ (36,201)
Loss per share before cumulative effect of a change in accounting principle	$ (6.45)	$ (8.40)	$ (9.10)
Cumulative effect of a change in accounting principle per share		(0.28)	
Net loss per share basic and diluted	$ (6.45)	$ (8.68)	$ (9.10)
Weighted average shares used in computing net loss per share basic and diluted	6,969	5,857	3,977

See accompanying notes.

INSWEB CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2001, 2000 and 1999
(Amounts in thousands except per share amounts)

Convertible Preferred Stock		Common Stock			Treasury Stock					
Shares	Amount	Shares	Amount	Paid-in Capital	Shares	Amount	Deferred Stock Compensation	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total

	Convertible Preferred Stock										
Balances, December 31, 1998	633	$ 1	2,657	$ 3	$ 59,489		$	$ (1,813)	$ 113	$ (38,210)	$ 19,583
Issuance of preferred stock for cash and receivable, net of $71 in issuance costs	186				34,929						34,929
Issuance of common stock for cash			5		297						297
Issuance of common stock in initial public offerings, net			959	1	89,553						89,554
Conversion of preferred shares of common shares related to initial public offering	(819)	(1)	2,048	2	(1)						
Deferred stock compensation					2,347			(2,347)			
Amortization of deferred stock compensation								1,272			1,272
Exercise of stock options			122		1,638						1,638
Comprehensive income (loss):											
Cumulative translation adjustment									155		155
Change in unrealized gain/loss on investments									(42)		(42)
Net loss										(36,201)	(36,201)
Comprehensive loss											(36,088)
Balances, December 31, 1999			5,791	6	188,252			(2,888)	226	(74,411)	111,185
Issuance of shares through employee stock purchase plan			17		940						940
Reversal of previously recorded deferred stock compensation					(1,667)			1,667			
Amortization of deferred stock compensation								912			912
Exercise of stock options			71		1,860						1,860
Comprehensive income (loss):											
Cumulative translation adjustment									(201)		(201)
Change in unrealized gain/loss on investments									35		35
Net loss										(50,847)	(50,847)
Comprehensive loss											(51,013)
Balances, December 31, 2000			5,879	6	189,385			(309)	60	(125,258)	63,884
Issuance of shares through employee stock purchase plan			18		94						94
Reversal of previously recorded deferred stock compensation					(53)			53			
Amortization of deferred stock compensation								256			256
Issuance of common stock warrants in connection with a service agreement					276						276
Shares issued in connection with purchase of Intuit assets			1,170	1	12,546						12,547
Shares repurchased						(37)	(204)				(204)
Comprehensive income (loss):											
Cumulative translation adjustment									(165)		(165)
Change in unrealized gain on investments									10		10
Net loss										(44,926)	(44,926)
Comprehensive loss											(45,081)
Balances, December 31, 2001		$	7,067	$ 7	$ 202,248	(37)	$ (204)	$	$ (95)	$ (170,184)	$ 31,772

Convertible Preferred Stock

See accompanying notes.

INSWEB CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Years Ended December 31,		
	2001	**2000**	**1999**
Cash flows from operating activities:			
Net loss	$ (44,926)	$ (50,847)	$ (36,201)
Adjustments to reconcile net loss to net cash used in operating activities:			
Impairment of long-lived assets and restructuring	20,362	5,687	
Amortization of intangible assets and prepaid marketing costs	5,578	1,150	3,129
Depreciation and amortization	5,288	3,631	1,813
Loss on disposal of equipment	663	41	3
Amortization of stock-based compensation	256	912	1,272
Issuance of common stock warrants in connection with a service agreement	276		
Foreign currency translation (gain) loss on note payable to stockholder	(97)	(152)	158
Equity loss from investment in InsWeb Japan K.K.	81	48	12
Cumulative effect of a change in accounting principle		1,635	
Net changes in operating assets and liabilities:			
Accounts receivable	263	1,333	(3,076)
Prepaid expenses and other current assets	2,683	(878)	(2,320)
Deposits and other assets	291	(1,384)	(544)
Accounts payable	(303)	(1,098)	1,140
Accrued expenses	388	(1,036)	2,045
Deferred revenue	(1,968)	1,306	(44)
Other liabilities	(623)	1,373	269
Net cash used in operating activities	(11,788)	(38,279)	(32,344)
Cash flows from investing activities:			
Redemptions of short term investments	38,967	103,220	
Purchases of short term investments	(33,562)	(60,475)	(69,084)
Proceeds from sale of property and equipment		16	15
Purchases of property and equipment and website development costs	(1,621)	(7,468)	(5,190)
Acquisition costs relating to assets purchased from Intuit	(548)		
Investment in InsWeb Japan K.K.		(708)	
Net cash provided by (used in) investing activities	3,236	34,585	(74,259)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock, net			56,280

	Years Ended December 31,		
Proceeds from initial public offering of common stock, net			89,555
Proceeds from issuance of common stock			297
Proceeds from issuance of common stock through stock plans	94	2,800	1,638
Repurchase of common stock	(204)		
Payments on marketing commitment	(1,506)		
Payment of amounts due to stockholder			(4,500)
Payment of note payable to officer			(25)
Payments on line of credit from affiliate			(19,290)
Net cash (used in) provided by financing activities	(1,616)	2,800	123,955
Net (decrease) increase in cash and cash equivalents	(10,168)	(894)	17,352
Cash and cash equivalents, beginning of year	24,795	25,689	8,337
Cash and cash equivalents, end of year	$ 14,627	$ 24,795	$ 25,689
Cash paid during the period for interest	$ 1,043	$ 87	$ 1,229
Supplemental disclosure of noncash investing and financing activities:			
Issuance of common stock for Intuit assets	$ 12,547	$	$
Payable to stockholder for Intuit assets	$ 17,022	$	$
Deferred stock compensation from issuance of options	$	$	$ 2,347
Proceeds from sale of a portion of investment in InsWeb Japan K.K. to reduce note payable to stockholder	$	$	$ 783
Conversion of preferred stock to common stock	$	$	$ 1

See accompanying notes.

INSWEB CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share amounts)

1. Business of InsWeb

InsWeb Corporation operates an online insurance marketplace that enables consumers to comparison shop online and obtain insurance company-sponsored quotes for a variety of insurance products, including automobile, term life and homeowners. InsWeb's marketplace electronically matches consumers and insurance companies. InsWeb has combined extensive knowledge of the insurance industry, technological expertise and close relationships with a significant number of insurance companies to develop an integrated online marketplace. InsWeb's marketplace enables consumers to research insurance-related topics, search for, analyze and compare insurance products, apply for and receive insurance company-sponsored quotes for actual coverage and to purchase automobile insurance coverage through InsWeb's insurance agency. Management believes that InsWeb provides insurance companies with pre-qualified consumers at substantially lower acquisition costs, as well as the scalable, cost-efficient distribution capabilities of InsWeb's Internet-based model.

InsWeb is subject to all of the risks inherent in an early stage business in the electronic commerce industry and special risks related to the online insurance industry. These risks include, but are not limited to, a limited operating history, limited management resources, dependence upon consumer acceptance of the Internet, Internet related security risks, the changing nature of the electronic commerce industry, and variations in consumer traffic and insurance company participation. Due to the foregoing factors, InsWeb's future operating results may be materially affected.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements include the accounts of InsWeb Corporation and its wholly-owned subsidiary, InsWeb Insurance Services, Inc. ("InsWeb" or the "Company"). All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, cash equivalents and short-term investments

InsWeb considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Investments with original maturities greater than three months but less than one year are classified as short-term investments.

Cash and cash equivalents are stated at cost, which approximates their fair value, given the relatively short duration of the underlying securities. Cash and cash equivalents consist of the following:

	December 31,	
	2001	**2000**
Cash	$ 2,680	$ 1,155
Money market funds	2,215	5,966
Taxable municipal securities		2,200
Commercial paper	9,732	15,474
	$ 14,627	$ 24,795

InsWeb accounts for its short-term investments under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires the classification of investments in debt and equity securities with readily determinable fair values as "held-to-maturity," "available-for-sale," or "trading." Management determines the appropriate classification of its debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Securities are classified as held-to-maturity when InsWeb has the positive intent and ability to hold the securities to maturity. Securities classified as held-to-maturity are carried at amortized cost, which is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value based on quoted market prices, with unrealized gains and losses reported as a component of other comprehensive income (loss) in stockholders' equity. The cost of securities sold is based on the specific identification method.

InsWeb's investment portfolio consists of the following:

December 31,

	December 31,	
	2001	2000
Available-for-sale:		
Certificates of deposit	$ 3,444	$ 4,000
Commercial paper	11,975	19,014
Taxable municipal securities	14,014	16,000
Corporate bonds	1,235	
Held-to-maturity:		
U.S. Agency securities		4,991
	$ 30,668	$ 44,005

	December 31,	
	2001	2000
Cash equivalents	$ 9,732	$ 17,674
Short-term investments	20,936	26,331
	$ 30,668	$ 44,005

At December 31, 2001 and 2000, the carrying value of available-for sale securities are shown net of gross unrealized gains (losses) of $3 and $(7), respectively, which are included as a component of stockholders' equity, and are attributable to InsWeb's investments in commercial paper and other debt securities. At December 31, 2001, the contractual maturities of InsWeb's investment portfolio are less than one year. The gains and losses from the sale of available-for-sale securities have not been significant to date.

Revenue recognition

The Company recognizes revenue when (i) persuasive evidence of an arrangement between the Company and the customer exists, (ii) delivery of the product to the customer has occurred or service has been provided to the customer, (iii) the price to the customer is fixed or determinable and (iv) collectibility of the sales price is reasonably assured.

Transaction fee revenue from qualified consumer leads is recognized when such lead is delivered to an insurance company customer. Transaction fees that are contingent on the delivery of certain minimum clickthroughs are deferred until all contingencies have been met.

Agency commissions revenue is based on a percentage of the insurance policy premium related to each insurance policy sale where InsWeb has acted as the agent. Agency commissions revenue is recognized on the effective date of the policy, less an estimate for early cancellations of the underlying insurance policies. InsWeb is also entitled to a commission when the insurance policy is renewed.

Prior to January 1, 2000, InsWeb recognized development fee revenue from the design and development of customized interfaces when the development work was completed and the insurance company's integration with InsWeb's site became operational (the "Live Date"). Since the adoption of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which was effective January 1, 2000 and is discussed further in Note 3, InsWeb had continued to defer development fee revenue until the Live Date but now recognizes such development fee revenue ratably over the estimated life of the carrier relationship, typically three years. Maintenance revenue is recognized ratably over the term of the customer agreement. Deferred revenue represents prepayment for services to be rendered in the future.

Website development costs

Effective July 1, 2000, InsWeb adopted the provisions of Emerging Issues Task Force Issue No. 00-2, "Accounting for Web Site Development Costs" ("EITF 00-2"), which provides guidance on accounting for costs incurred to develop, enhance, and upgrade a website. During the year ended December 31, 2001 and 2000, InsWeb capitalized $831 and $1,245 in such costs and recorded amortization of $1,517 and

$42. All other development costs, not qualifying for capitalization under EITF Issue No. 00-2, are expensed as incurred. Capitalized costs are amortized over the estimated useful life of the related upgrade and enhancement, generally two years.

Online marketing fees

InsWeb enters into marketing agreements which require InsWeb to pay the participating online company a portion of the resulting transaction fees and in some cases a fixed fee. Such fees are expensed in the period the related qualified consumer lead is delivered to an insurance company customer. Fixed fee payments are capitalized and expensed on a straight-line basis over the term of the agreement, or ratably based on delivery of the specified consumer traffic targets, whichever method results in a greater expense. Payments based on per unit transactions are expensed in the period in which the consumer traffic occurred and are included as a component of sales and marketing expense.

Direct marketing expenses

Costs related to advertising and promotions of products are charged to sales and marketing expense as incurred. Direct marketing charged to expense for the years ended December 31, 2001, 2000 and 1999 were $16,664, $24,168, and $21,209, respectively.

Property and equipment and other long-lived assets

Property and equipment are stated at cost less accumulated depreciation. Depreciation on computer and office equipment, furniture and fixtures and purchased software is calculated using the straight-line method over the estimated useful lives of the assets, generally two to five years. Amortization on leasehold improvements is calculated using the straight-line method over the estimated useful lives of the improvements or the remaining life of the lease, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible assets are reported at cost net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the related assets.

InsWeb evaluates the recoverability of its long-lived assets in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121). SFAS 121 requires the recognition of impairment losses related to long-lived assets in the event the net carrying value of such assets exceeds fair value. InsWeb assesses the impairment of its long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. InsWeb adopted the provisions of Statement of Financial Accounting No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" on January 1, 2002.

Deposits and other assets

Deposits and other assets include payments made by InsWeb to collateralize certain lease commitments and cash received by InsWeb to collateralize certain sub lease agreements.

Foreign currency transactions

The promissory note payable to a strategic partner and stockholder is translated from Japanese yen into U.S. dollars in accordance with Statement of Financial Accounting Standard No. 52, "Foreign Currency Translation." Accordingly, it is translated at the current exchange rate as of the applicable

balance sheet date and the resulting foreign currency gain (loss) is included in the consolidated statements of operations. See further discussion of InsWeb's investment in Finance All K.K. in Note 7.

In March 2001, the Company exchanged its equity interest in InsWeb Japan K.K. for a non-controlling interest in Finance All K.K. Through the date of the exchange, the Company translated its investment in InsWeb Japan K.K. at the applicable balance sheet rate and recorded the resulting translation adjustment in accumulated other comprehensive income (loss), a separate component of stockholders' equity. After the exchange, the Company revalues its investment in Finance All K.K. at the applicable balance sheet rate and the resulting foreign currency gain (loss) is included in the consolidated statement of operations as a component of interest and other income, net. In 2001, the foreign currency gain was $97.

Concentration of credit risk

Financial instruments which potentially subject InsWeb to concentration of credit risk, as defined by Statement of Financial Accounting Standard No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk," consist principally of cash, cash equivalents, short-term investments and accounts receivable. InsWeb deposits its cash and cash equivalents with various domestic financial institutions. Such deposits may exceed federal deposit insurance limits.

InsWeb's short-term investments consist of diversified investment grade securities. InsWeb's investment policy limits the amount of credit exposure to investments in any one issue, and InsWeb believes no significant concentration of credit risk exists with respect to these investments.

InsWeb's customer base is dispersed across many different geographic areas, and most customers are in a single industry in the United States. Collection of trade receivables may be affected by changes in economic or other industry conditions and may, accordingly, impact InsWeb's overall credit risk. InsWeb performs ongoing credit evaluations of its customers and generally does not require collateral. InsWeb reviews the need for allowances for potential credit losses, and reserves for potential credit losses are maintained.

Significant customers

For the year ended December 31, 2001, three customers (Amica, GE Financial Assurance and AIG) accounted for 11%, 11%, and 10% of total revenues, respectively. For the year ended December 31, 2000, two customers (State Farm and AIG) accounted for 14% and 11% of total revenues, respectively. For the year ended December 31, 1999, three customers (State Farm, AIG and American Family) accounted for 31%, 11% and 11% of total revenues, respectively. At December 31, 2001, one customer accounted for 25% of accounts receivable. At December 31, 2000, two customers accounted for 19% and 19% of accounts receivable, respectively.

Reverse stock split

In December 2001, InsWeb effected a reverse stock split in the ratio of 1-for-6 of its common stock. All share and per share common amounts in the accompanying consolidated financial statements have been retroactively restated to give effect to the reverse-stock split for all periods presented.

Earnings per share

Basic earnings per share is computed using the weighted-average number of shares of common stock outstanding. Diluted earnings per share is a measure of the potential dilution that would occur if preferred stock had been converted and stock options and warrants had been exercised. Potentially dilutive securities have been excluded from the computation of diluted net loss per share as their effect is antidilutive. See Note 14.

Other comprehensive income(loss)

Other comprehensive income (loss) includes primarily foreign currency translation adjustments and unrealized gains (losses) on investments.

Stock-based compensation

InsWeb accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, compensation expense is based on the difference, if any, between the fair value of InsWeb's stock and the exercise price of the option on the measurement date, which is typically the date of grant.

InsWeb accounts for options granted to non-employees in accordance with the provisions of Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods and Services." Under these provisions, options are recorded at their estimated fair value on the measurement date.

Segment information

InsWeb operates in one segment, business-to-consumer electronic insurance services. InsWeb markets its online marketplace in the United States. The Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM") because he has final authority over resource allocation decisions and performance assessment. The CODM does not receive discrete financial information about any material individual component of InsWeb's operations.

Recent accounting pronouncements

Effective January 1, 2001, InsWeb adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities. The adoption of SFAS 133 in 2001 did not affect InsWeb's financial condition, results of operations or cash flows.

Effective July 1, 2001, InsWeb adopted SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 prohibits the use of the pooling-of interest method for business combinations. SFAS 141 also changes the criteria to recognize intangible assets apart from goodwill. In July 2001, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 142, "Goodwill and Other Intangibles

Assets" ("SFAS 142"), which InsWeb adopted January 1, 2002. Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually, or more frequently if indications of possible impairment exist, for impairment. The adoption of SFAS 141 and SFAS 142 did not affect InsWeb's financial condition, results of operations or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides guidance for accounting and reporting for the impairment or disposal of long-lived assets. InsWeb adopted SFAS 144 effective January 1, 2002. The adoption of SFAS 144 did not affect InsWeb's financial condition, results of operations or cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Change in Accounting Principle

Effective January 1, 2000, InsWeb changed its revenue recognition policy for set-up fees, which are included in development and maintenance fees, to comply with SAB 101. Prior to adoption of SAB 101, InsWeb recognized revenue from development fees received from a participating insurance carrier when that carrier's integration with the InsWeb site became operational (the "Live Date") on InsWeb's marketplace. Subsequent to the adoption of SAB 101, while InsWeb continues to defer development fee revenue until the Live Date, it has changed its revenue recognition policy from full recognition at the Live Date to recognizing the revenue ratably over the estimated life of the carrier relationship, typically three years. This accounting change resulted in a cumulative effect of a change in accounting principle, for years prior to 2000, of $1,635, which is reflected in the results for the year ended December 31, 2000. During the years ended December 31, 2001 and 2000, $508 and $981 of the cumulative effect for years prior to 2000, was recognized as revenue, respectively.

For 1999, pro forma total revenues was $20,847, pro forma net loss was $27,195 and pro forma net loss per share (basic and diluted) was $9.35 per share.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other assets consist of the following:

	December 31,	
	2001	**2000**
Prepaid marketing fees	$ 510	$ 2,740

	December 31,	
Prepaid insurance	419	512
Interest receivable		362
Other	240	238
	$ 1,169	$ 3,852

5. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2001	2000
Computer and office equipment	$ 5,897	$ 5,799
Furniture and fixtures	1,200	1,885
Leasehold improvements	1,663	2,619
Purchased software	2,729	3,973
Construction in progress		595
	11,489	14,871
Less accumulated depreciation	(7,691)	(6,205)
	$ 3,798	$ 8,666

Depreciation expense was $3,771, $3,589 and $1,813 for the years ended December 31, 2001, 2000 and 1999, respectively.

6. Deposits and Other Assets

Deposits and other assets consist of the following:

	December 31,	
	2001	2000
Capitalized website development costs, net	$ 517	$ 1,203
Restricted lease cash security deposits	1,105	1,000
Sub-lease deposits	1,750	1,769
Other	157	549
	$ 3,529	$ 4,521

7. Finance All K.K. (formerly InsWeb Japan K.K.)

In 1998, InsWeb entered into an agreement with a strategic partner and stockholder to develop, implement and market an online insurance marketplace in Japan and the Republic of Korea. The venture was carried out exclusively through InsWeb Japan K.K., a Japanese corporation, in which InsWeb owned an equity interest. In conjunction with this agreement, InsWeb also entered into an agreement in August 1999 to provide consulting and hosting services to assist InsWeb Japan K.K. in developing its Internet strategy. For the year ended December 31, 2000, $1,414 was billed under this contract and included in development and maintenance fees. No such services were provided for the years ended December 31, 2001 and 1999. At December 31, 2001 and 2000, no amounts were due from InsWeb Japan K.K. Although this consulting and hosting services agreement has not been terminated, InsWeb does not expect to provide such services to InsWeb Japan K.K. in the future.

InsWeb's initial interest in InsWeb Japan K.K. was purchased in exchange for a promissory note payable to a stockholder. The promissory note is payable in Japanese yen and accrues interest at 5% per annum, which is payable quarterly. The promissory note, together with all accrued and unpaid

interest, is due and payable on December 15, 2002. Interest expense related to this note for the years ended December 31, 2001, 2000 and 1999, were $65, $70 and $43, respectively. As of December 31, 2001 and 2000, $1,145 and $1,312 were outstanding under this promissory note, respectively.

In 1999, InsWeb sold a portion of its interest in InsWeb Japan K.K. to a stockholder for $783. As a result of this sale, InsWeb's interest in InsWeb Japan K.K. decreased from 40% to 25%. InsWeb used the proceeds from the sale to partially repay the promissory note due to the stockholder. In 2000, InsWeb invested an additional $708 as part of an additional sale of capital stock by InsWeb Japan K.K. As a result of this additional investment, InsWeb maintained its 25% interest in InsWeb Japan K.K.

In 2001, InsWeb and other investors entered into an agreement pursuant to which a new privately-held holding company, Finance All K.K., controls InsWeb Japan K.K. and two other Internet companies in which InsWeb does not hold a financial interest (the "Reorganization"). The purpose of the Reorganization was to create a holding company that will collectively create an online financial marketplace consisting of various business-to-consumer financial services. The online market place will provide services in the insurance, consumer loan, and home loan (mortgage) marketplace in Japan and the Republic of Korea. In exchange for its shares in InsWeb Japan K.K., InsWeb acquired a 14% ownership interest in Finance All K.K. and was also granted the right to designate a member of the Board of Finance All K.K. However, this Board position does not allow InsWeb to exercise significant influence over the policies with the respect to the operations of Finance All K.K. Furthermore, InsWeb is not required to fund any losses or guarantee any indebtedness of Finance All K.K.

InsWeb's investment interest in Finance All K.K. is being accounted for under the cost method. Prior to the Reorganization, InsWeb accounted for its investment in InsWeb Japan K.K. under the equity method. InsWeb's proportionate share of InsWeb Finance All K.K. net losses are included as a component of interest income and other, net. It is not practical to estimate the fair value of InsWeb's investment in Finance All K.K. because of the lack of a quoted market price and the inability to estimate fair value without incurring excessive costs. The carrying value at December 31, 2001 represents InsWeb's cost less its proportionate share of InsWeb Japan K.K.'s losses through the date of the Reorganization. At December 31, 2001, management believes the carrying value is not impaired.

8. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2001	**2000**
Accrued employee compensation	$ 808	$ 713
Employee stock purchase plan	54	50
Accrued retention bonuses		1,064
Accrued fee sharing	452	207
Security deposit on sublease	1,125	
Restructuring	1,000	86
Other	71	2
	$ 3,510	$ 2,122

9. Restructuring

In 2000, the Board of Directors approved a plan to restructure InsWeb's operations in order to enhance operating efficiencies and to further develop its agency operations. The restructuring plan included the closure of InsWeb's facilities in Redwood City, San Carlos and Westlake Village, California and Bel Air, Maryland, the relocation of InsWeb's entire operations to the Sacramento, California area, and the discontinuance of certain strategic initiatives. In 2001, InsWeb recorded an additional restructuring charge of $1,843 to write-down certain leasehold improvements to their net realizable value and to establish a reserve for future lease payment obligations relating to previously exited facilities. The restructuring plan was completed in 2001. Details of the restructuring charge are as follows:

	Employee Termination Benefits	Write-down of Property, Plant and Equipment	Other	Total
Total restructuring charge	$ 1,003	$ 1,269	$ (105)	$ 2,167
Write-down of assets to net realizable value		(1,269)		(1,269)
Lease termination fee received			1,000	1,000
Cash payments	(1,003)		(809)	(1,812)
Restructuring accrual as of December 31, 2000			86	86
Cash payments			(86)	(86)
Additional restructuring charge		843	1,000	1,843
Write-down of assets to net realizable value		(843)		(843)
Restructuring accrual as of December 31, 2001	$	$	$ 1,000	$ 1,000

Separately, InsWeb recorded charges for the year ended December 31, 2000 of approximately $4,806 for retention agreements with key employees, relocation expenses, and other transition costs. InsWeb incurred an additional charge of $1,819 in retention, relocation and other transition costs through the completion of the restructuring plan in early 2001. These charges were recorded in technology, sales and marketing, and general and administrative expenses, respectively.

10. Acquisition of Intuit Insurance Services

In January 2001, InsWeb acquired from Intuit Inc. ("Intuit") certain assets and related liabilities associated with an online insurance shopping and purchasing service operated by Intuit Insurance Services, Inc., a wholly owned subsidiary of Intuit. InsWeb did not acquire any of Intuit's revenue producing relationships with insurance carriers; however, InsWeb acquired the right to be assigned all Internet traffic from the licensing agreements that Intuit had previously negotiated with its strategic partners.

In connection with the acquisition, InsWeb and Intuit entered into a license and distribution agreement, under which Intuit and InsWeb granted one another licenses to create links between their respective websites in order to create and operate a co-branded insurance center. This agreement also provides that InsWeb will be the exclusive aggregator of online consumer insurance services for Quicken.com, an Intuit website. The original agreement required InsWeb to pay Intuit fixed fees

totaling $20,500 plus additional amounts associated with consumers linking from the Quicken.com website over the five year term of the agreement for Internet traffic in excess of certain minimums to the InsWeb co-branded insurance center. Intuit has also agreed to a not-to-compete covenant for a period of five years.

The total purchase cost of approximately $30,117 was comprised of 1,170,000 shares of InsWeb's common stock with a fair value at date of issuance of $12,547, long-term marketing commitments of $17,022 which represents the present value of the fixed fees due over the term of the license and distribution agreement, and other acquisition related expenses of $548 consisting primarily of payments to a financial advisor. InsWeb recorded a noncurrent asset of $17,022 for prepaid marketing costs and an intangible asset of $13,095 relating to the beneficial terms of the license and marketing agreement. The fair value of the intangible asset was estimated based on the expected Internet traffic to be received from Intuit by InsWeb. These assets being are amortized over the five-year term of the license and distribution agreement. Amortization of these assets is included as a component of sales and marketing expense.

Subsequent to the acquisition date, as a result of significantly lower than anticipated traffic levels, InsWeb reassessed the recoverability of the assets recorded in connection with the purchase, by comparing the estimated future undiscounted cash flows expected to be generated relating to these assets to their carrying amounts. Based on this evaluation, InsWeb determined that assets with a carrying amount of $24,539 were impaired and recorded an impairment charge of $18,519 in the fourth quarter of 2001 as the carrying value of these assets was in excess of fair value. The fair value of the acquired assets was based on estimated future cash flows to be generated from the license and distribution agreement, discounted using a rate that is commensurate with the risk involved.

Pursuant to a related agreement, a representative from Intuit has been elected to the InsWeb Board of Directors. In addition, certain restrictions were placed on the ability of Intuit to acquire or dispose of InsWeb's common stock. See additional discussion at Note 19.

11. Acquisition of Benelytics, Inc.

On December 31, 1998, InsWeb acquired all of the outstanding shares of Benelytics, Inc. ("Benelytics"). The tangible assets were comprised of cash and fixed assets. Intangible assets were comprised of purchased software, non-compete agreements, assembled workforce and contractual relationships, and were being amortized over two years. Goodwill was being amortized over three years. Amortization expense was $1,150 and $3,129 for the years ended December 31, 2000 and 1999, respectively.

In 2000, InsWeb entered into a linking agreement with eHealthinsurance.com Services, Inc. ("eHealthInsurance") under which InsWeb customers were able to acess eHealthInsurance's individual health, small group health, and Medicare supplement insurance product offerings. As a result, InsWeb evaluated the cost to develop and market its health care product offerings and decided to discontinue the development of its health care initiatives, which were primarily being carried out through the business and assets acquired as a result of InsWeb's acquisition of Benelytics in 1998. InsWeb then evaluated the recoverability of the goodwill and other intangibles recognized in connection with the Benelytics acquisition and determined that the circumstances indicated an inability to recover the

carrying amount of the related assets. Accordingly, InsWeb recorded a one-time non-cash write down of $4,418 of goodwill and other intangible assets, including the assembled workforce and contractual relationships associated with the Benelytics acquisition.

12. Long-term liabilities

Long-term liabilities consist of the following:

	December 31,	
	2001	**2000**
Present value of fixed fees (long-term marketing commitments) due to Intuit in connection with the license and distribution agreement, payments due in quarterly installments through November 2005 (imputed interest rate of 7.0% per annum)	$ 15,516	$
Promissory note due to stockholder relating to InsWeb's investment in Finance All K.K. (formerly investment in InsWeb Japan K.K.), principal due on December 15, 2002 (fixed interest rate of 5% per annum)	1,145	1,312
	16,661	1,312
Less current portion	(3,171)	
	$ 13,490	$ 1,312

As of December 31, 2001, aggregate maturities of amounts payable under long-term liabilities were: 2002 - $3,171, 2003 - $3,206, 2004 - $4,466 and 2005 - $5,818. On March 28, 2002, InsWeb amended its license and distribution agreement with Intuit (see additional discussion at Note 19).

It is not practical to estimate the fair value of amounts due to shareholders due to the related party nature of these transactions.

13. Commitments and Contingencies

Leases

InsWeb leases its current office facilities under non-cancelable operating leases, which expire at various dates through April 2011 which includes a 10-year lease agreement through 2010 for office space in the Sacramento area which houses its corporate headquarters and agency operations. InsWeb has options to extend the lease at the end of the lease term, and has the right of first refusal on other office space in the complex. At December 31, 2001, future minimum lease payments under non-cancelable operating leases were as follows:

2002	$	3,406
2003		3,360
2004		3,356
2005		3,257
2006		3,391
Thereafter		8,935
	$	25,705

Rent expense for the years ended December 31, 2001, 2000, and 1999 was $1,220, $1,979, and $1,458 (net of sublease rental income of $2,456, $749 and $672), respectively.

At December 31, 2001, future sublease payments to be received under non-cancelable operating leases was as follows:

2002	$	3,132
2003		2,532
2004		2,284
Thereafter		
	$	7,948

Restricted cash (security deposit for operating lease) for the years ended December 31, 2001 and 2000 was $1,105 and $1,000, respectively, and is included in deposits and other assets. Security deposits payable (under sublease agreements) for the ended December 31, 2001 and 2000 was $1,125 and $1,020, respectively.

One of the office leases is for a 75,000 square foot building in Redwood City, California. Under the terms of this lease, InsWeb is responsible for taxes, insurance and maintenance expenses. InsWeb has subleased a portion of the Redwood City facility under a four-year sublease agreement. InsWeb also received a letter of credit and $1,007 in cash to collateralize the lease, and expects any sublease revenue to offset its ongoing lease obligations during the term of the sublease.

Marketing agreements

InsWeb is required to make fixed payments under various marketing agreements, which expire at various dates through 2005. In addition to the fixed fees, certain of these agreements require InsWeb to pay fees for each user delivered to InsWeb's website in excess of certain minimums.