

Press Releases

For Media inquiries : pr@insure.com

Quotesmith.com Reports Year-End 2000 and Fourth-Quarter Results

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Quotesmith.com, Inc. (ticker: QUOT, exchange: NASDAQ) News Release - 1/23/2001

Quotesmith.com Reports Year-End 2000 and Fourth-Quarter Results

Annual Revenues Climb 81 Percent to Top \$15 Million

- Total Year Policy Sales Increase 111 Percent to Top 37,000
- Fourth Quarter Net Loss Reduced to \$2.4 Million; Smallest Loss in 5 Quarters
- Full Year Policy Conversion Rates Increase 27 Percent over 1999
- Shares Repurchased in the Fourth Quarter Total 1,461,000

DARIEN, Ill., Jan. 23 /PRNewswire/ -- Quotesmith.com, Inc., (Nasdaq: QUOT) today announced financial results for the fourth quarter and year ended December 31, 2000. "Quotesmith.com had a solid year of new customer growth, revenue growth, improved marketing efficiency, and technological-content improvements which have set the foundation for us to become the #1 insurance brand on the Internet," said Robert Bland, Quotesmith.com chairman and CEO.

Year 2000 Results

Quotesmith.com reported record revenues for the year of \$15.2 million, an increase of 81 percent over 1999 revenue of \$8.4 million. This revenue growth resulted primarily from a 68 percent increase in advertising expense in 2000 to \$24.2 million from \$14.4 million in 1999.

The company reported a net loss of \$18.6 million, or \$0.98 per share for the year ended December 31, 2000,

compared with a net loss of \$13.8 million, or \$0.88 per share for the same period in 1999. The increase in net loss resulted primarily from an increase in advertising expense in 2000 as compared to 1999.

Quotesmith.com ended the year with a strong balance sheet consisting of \$28.3 million in cash and short term investments, or \$1.59 per share, and no debt.

The company announced today that it has repurchased a total of 1,461,000 of its shares at an average price of \$0.75 per share during the fourth quarter. The company had 17,765,711 shares outstanding as of December 31, 2000. As previously announced, the company's Board has authorized the repurchase of up to 3.5 million shares.

Quotesmith.com is committed to diversifying its revenue base by creating new and renewal revenue streams from the sale of multiple lines of insurance. As a percentage of total policies sold, sales of non-term life insurance policies rose to 11 percent of total policies sold in 2000 as compared to 4 percent of total policies sold in 1999.

As previously announced, Quotesmith.com executed a strategy in 2000 of deploying steadily declining direct response marketing expenses which were \$10.1 million in the first quarter, \$5.9 million in the second quarter, \$5.1 million in the third quarter and \$3.0 million in the fourth quarter.

"The policy sales we achieved in 2000 validate the appeal of the Quotesmith.com insurance price comparison service to an ever-widening audience of self-directed insurance shoppers. As we begin our 18th year in business, we have never been in a better position to define and lead in the online insurance sector. We empower insurance shoppers with the broadest selection of insurance quotes available from any single source on or off the Internet. With a clear vision and a solid operating game plan for 2001, we intend to launch several new revenue-producing products, further reduce our per policy acquisition and operating costs, and continue to build what we believe will become a profitable, recurring revenue business that is technologically unique and prohibitively costly to duplicate," said Mr. Bland.

Fourth Quarter Results

Revenues for the fourth quarter ended December 31, 2000 were \$2.6 million, a 30 percent decrease compared to revenues of \$3.8 million reported for the third quarter of 2000 and a 12 percent decrease as compared to revenues of \$3.0 million in the fourth quarter of 1999.

Net loss for the fourth quarter decreased 31 percent to \$2.4 million, or \$0.13 per share, compared with a net loss \$3.5 million, or \$0.18 per share, reported for the third quarter of 2000. The fourth quarter 2000 loss dropped 64 percent from the \$6.8 million, or \$0.35 per share, loss reported for the fourth quarter of 1999.

Policies Sold Increase 111 Percent for Year 2000

Increased insurance shopper activity resulted in a record 37,520 newly paid policies, up 111 percent from 17,786 policies sold in 1999. For the fourth quarter, Quotesmith.com sold 6,986 new policies, representing a quarterly decrease of 22 percent from the 8,998 policies sold in the third quarter of 2000 and an increase of 4 percent from the 6,733 policies sold in the fourth quarter of 1999.

Total quotes for the year 2000 amounted to 4.1 million, a 67 percent increase over the 2.5 million quotes processed in 1999. Completed quotes do not include automobile insurance or disability insurance quotes which are currently provided by third parties after a visitor has left the Quotesmith.com Web site.

Average daily completed quotes processed for the fourth quarter of 2000 were 8,718, a 16 percent decrease over the 10,425 average daily quotes recorded during the third quarter of 2000 and a 25 percent decrease over the 11,563 average daily quotes recorded during the fourth quarter of 1999. This decrease is attributable to decreases in marketing expenses through the four consecutive quarters of 2000.

Marketing Progress Report: Solid Progress on Reducing Policy Acquisition Costs and Raising Conversion Ratios

The average new policy acquisition cost (total selling and marketing costs divided by the number of new policy sales) decreased 20 percent to \$645 in 2000 from \$809 in 1999. For the fourth quarter of 2000, progress on reducing policy acquisition costs continued and was even more pronounced as the cost per policy plummeted 62 percent to \$435 from \$1,133 in the fourth quarter of 1999 and 23 percent from \$567 in the third quarter of 2000.

Quotesmith.com also reported a 27 percent improvement in its ability to close policy sales by selling nine policies for every thousand quotes processed in 2000 as compared to closing seven policies per one thousand quotes in 1999.

"Our sales of term life policies were helped by the nationwide rollout of insurance Regulation XXX in the first quarter of last year, a quarter in which we spent 42 percent of our total 2000 advertising budget in order to take advantage of the robust external term life selling environment that existed then. We also made a number of successful and proactive refinements in our direct response marketing campaigns and we made significant progress in simplifying our order-processing systems which helped us close more sales in 2000," remarked Will Hemsworth, senior vice president of marketing for Quotesmith.com. "In 2001 we intend to further improve our order-handling procedures in order to ensure the quickest and smoothest insurance purchase process possible."

Health Insurance Policy Sales Gain Traction

For the year ended December 31, 2000, sales of new health insurance policies surged 439 percent to 4,029 from 747 reported for 1999. New sales of health insurance policies (including dental and Medicare supplement policies) in the fourth quarter of 2000 amounted to 1,095, a 6 percent increase as compared to 1,029 for the third quarter of 2000 and a 123 percent increase from the 490 sales reported in the fourth quarter of 1999.

Continued Innovation for Sustained Leadership

The company's planned entry into the personal auto, long-term care, international medical insurance brokerage markets and agency automation markets has four distinct benefits for the company:

- These initiatives should increase the per visitor Web site revenue yield.
- These initiatives should result in the capture of multiple-year revenue streams.
- These initiatives, all of which represent significant content expansions not matched by any single competitor, should further serve to distance and differentiate Quotesmith.com from all of its competitors.
- These initiatives are designed to attract additional insurance shoppers to www.quotesmith.com.

New Products and Services to Launch Soon

Quotesmith.com has a number of new product and service launches expected in the first quarter of 2001.

- **Personal Auto** - As previously announced, Quotesmith.com intends to enter the auto insurance brokerage business via the launch of a brand new, multi-company comparative auto insurance quotation and order processing engine. Commenting on the status of the Personal Auto project, company CEO Robert Bland remarked, "Our launch of Personal Auto will be the most significant new product introduction in years. Our new Personal Auto product, which is still well within budget but late to launch, is now expected to be introduced in early March. The rollout and commercial availability of this new service will be conducted on a state-by-state basis, beginning with the highest population states first. By May 1 the company's goal is to be providing instant quotes and online purchase capabilities in those states which cover 50% of the U.S. population. We are investing in and creating the fastest, most information-pleasing auto insurance information destination that we can in the belief that this purchase experience will be so profound that

people will never imagine going back to the old way." The company currently has signed agency contracts with over 40 automobile insurance companies, which include both direct-writing and independent agency companies. Quotesmith.com has an aggressive agenda and a bold public commitment to revolutionize the way people shop for and buy their auto insurance. The goal is to provide auto insurance shoppers of all ages and profiles with a true panorama of comparative information on a scale not seen before -- and to generate new and renewal commission income streams from the sale of auto insurance policies. "We have an adequate capital base and a staff of dedicated professionals intent upon offering the largest selection of auto insurance quotes available from any single source," added Mr. Bland.

- LTCompare(R) -- Shopping for long-term care insurance is about to get a lot easier. LTCompare is a revolutionary new Web-based long-term care insurance price comparison and purchasing service that promises to replace hours of research and lead to maximum savings for beleaguered long-term care insurance buyers and their families. LTCompare will provide instant quotes from numerous household-name insurers including one-click downloads of brochures, comparative buying guides and regulatory information. Considered by many to be the most expensive line of personal insurance and one of the hardest for shoppers to research, LTCompare will add a big-ticket commission product to the Quotesmith.com portfolio.
- QuotesmithPro(R) -- As a part of its previously announced "arms merchant" strategy to leverage its existing technology and create new revenue streams, Quotesmith.com will soon launch QuotesmithPro as a Web-based subscription service designed for use by insurance agents, brokers, consultants and financial planners. QuotesmithPro will help insurance professionals transition from the drudgery of having to deal with multiple-company Web sites and outdated desktop systems by providing an easy, fast and single-source information platform from which customer-ready proposals can be produced in seconds. Subscription pricing for this new service has not yet been set.

Additional lines scheduled for release in 2001 also include homeowner's insurance and international medical insurance.

Executing Expanded Content Strategy for Information-Hungry Insurance Shoppers

During the year Quotesmith.com continued to attract additional insurers and offer, by a very wide margin, the broadest comparative insurance content experience available on the Internet. For customers, this huge selection translates into maximum savings on every insurance purchase and an entirely new way to buy insurance. The company now offers: instant term life insurance quotes from 103 insurers; instant individual and family health insurance quotes from 123 insurers (including a broad range of traditional, PPO, HMO and Blue Cross and Blue Shield plans for individuals and families); instant dental quotes from 38 insurers; instant small group medical quotes from 33 insurers; instant short term medical quotes from 11 insurers; and instant Medicare supplement quotes from 72 insurers.

Recent Accolades for Quotesmith.com

On December 26, 2000, FinanCenter.com awarded Quotesmith.com a #1 ranking (99.3 score out of 100) based upon an extensive, multi-site comparison of term life premiums. On September 29, 2000, Money magazine named Quotesmith.com "One of the Top 50 Financial Websites." On September 18, 2000, Quotesmith.com was named "Best of the Net" by About.com's Guide to Personal Life Insurance. On August 9, 2000 Quotesmith.com was named "Best of the Web for Term Life Insurance" by FinanCenter.com. On August 3, 2000 Quotesmith.com was chosen as "One of the 100 Best Web Sites for Small Business" by Entrepreneur magazine.

2001 Outlook

The company currently has targeted 2001 marketing expenditures consistent with levels experienced in the fourth quarter of 2000 and expects to deploy its marketing budget in 2001 in more consistently level patterns than in 2000. The company does not intend to increase its quarterly marketing expenditures until the technical portions

of its planned expansion into auto and other lines of insurance are fully implemented. Based on these projected levels of marketing expenditures, the company anticipates 2001 annual revenues of approximately \$11 million with a net loss range of \$8 to \$9 million. The company is currently projecting year-end cash and investment balances of approximately \$18 million.

Quotesmith.com believes that its current capital structure, including cash and short term investments of \$28.3 million, is adequate to reach profitability without the necessity of additional debt or equity financing.

The company does not provide confirmation or update of its targets except through public announcements.

About Quotesmith.com

Quotesmith.com owns and operates the industry's largest and most comprehensive insurance price comparison service. The Quotesmith.com Insurance Commerce Platform allows insurance shoppers to instantly view the best prices being offered by more than 300 leading companies, achieve maximum savings and have the freedom to buy from the company of their choice. Quotesmith.com also provides personalized customer service assistance and policy placement services for its customers. Quotesmith.com generates revenues from the receipt of commissions and fees paid by insurance companies. Shares of Quotesmith.com trade on the Nasdaq National Market under the symbol "QUOT."

Conference Call

Quotesmith.com's conference call to discuss fourth quarter financial results will be held on January 24, 2001 at 11:00 a.m. Eastern Standard Time. The conference call will be broadcast live over the Internet at <http://www.vcall.com>. To listen to the live call, please go to the Web site at least fifteen minutes early to register, download and install any necessary audio software. The call can also be accessed by telephone in the U.S. at 800-305-1078 and outside the U.S. at 703-871-3026.

The call will be rebroadcast at 888-266-2086 or, for international callers, at 703-925-2435. The pass code for the rebroadcast is 4889070.

Cautions about Forward-Looking Statements

This press release includes "forward-looking" statements about future financial results, future products and other events and circumstances that have not yet occurred. For example, statements with words like "expect," "anticipate" or "believe," and statements in the future tense, are forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. We will not update the information in this press release if any forward-looking statement or prediction later turns out to be inaccurate. Risks and uncertainties that may affect future results and performance include, but are not limited to, the following: The continued listing of our stock on the Nasdaq National Market is contingent upon there being a minimum bid of \$1.00 per share for ten consecutive days prior to March 13, 2001. Our revenues are volatile and highly dependent upon our ability to generate qualified insurance shoppers to our Web site through successful advertising expenditures. We face intense competition for qualified employees. We face competitive pressures in all facets of our business, particularly insurance brokerage, which can have a negative impact on our revenue, gross margins and market position. Products and services offered to consumers by insurance companies and competing insurance brokers may increasingly overlap with products and services offered by Quotesmith.com and could have a significant negative impact on our future financial results. Significant problems or delays in the development of our new products and services would result in lost revenue and customers. We currently rely on a single third-party vendor to handle most aspects of the planned launch of our new comparative auto insurance quotation and order handling system. If we do not continue to successfully refine and update the business models for our Internet-based products and services, and operationally support these businesses, the businesses will not achieve sustainable financial viability or broad customer acceptance. The market pressure to launch new Internet-based products and services quickly may lead to lower product quality. If we cannot fully and successfully implement our new services in a timely fashion, we may be unable to launch these services as successful businesses. If our insurance quotation systems and related

services do not achieve and maintain acceptance by customers, they will not generate long-term revenue growth or profitability. In order to expand our customer base, we must continue to improve the efficiency and effectiveness of our customer service and order processing operations. The long-term viability of our Internet-based insurance services will depend on our ability to increase our customer base as quickly as possible, get greater participation by online partners, and expand the depth and breadth of our offerings in order to differentiate ourselves from other Internet-based insurance information providers. Our insurance brokerage business is subject to fluctuations and operational risks that could result in revenue declines. The viability of distributing insurance online will require widespread consumer and insurance company adoption, which may still be years away. Despite our efforts to adequately staff and equip our customer service and technical support operations, we cannot always respond promptly to customer requests for assistance; this can adversely affect customer relationships and our financial performance. We face risks relating to customer privacy and security and increasing regulation, which could hinder the growth of our business – particularly our Internet-based business. We face existing and potential government regulation in many of our businesses, which can increase our costs and hinder the growth of our businesses. The stock market has experienced price volatility that has particularly affected technology companies, including the stock of Quotesmith.com. Business conditions in international markets, other risks inherent in international operations, and changes in our business model, may negatively impact our financial performance. More details about these issues are included in our 1999 Form 10K and other recent SEC filings.

Some insurance companies appear at Quotesmith.com for purely informational purposes only and pay no compensation to Quotesmith.com and some insurers pay commissions or fees to Quotesmith.com based upon premium volume or traffic activity produced by Quotesmith.com. Quote availability by state or any other factor is subject to change without notice.

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| QUOTESMITH.COM, INC. STATEMENT OF OPERATIONS (In thousands, except per share data) | | | | | |
|--|-------------------------------|-----------|--|---------------------------|------------|
| | Quarter Ended December 31, | | | Year Ended December 31 | |
| | 2000 | 1999 | | 2000 | 1999 |
| Revenues: | | | | | |
| Commissions and fees | \$2,635 | \$2,987 | | \$15,190 | \$8354 |
| Other | 11 | 13 | | 46 | 54 |
| Total revenues | 2,646 | 2,999 | | 15,236 | 8,408 |
| Expenses: | | | | | |
| | 3,037 | 7,626 | | 24,201 | 14,397 |
| Operations | 1,563 | 1,571 | | 7,445 | 5,481 |
| | 942 | 1,315 | | 4,432 | 3,570 |
| Total expenses | 5,542 | 10,512 | | 36,078 | 23,448 |
| Operating loss | (2,896) | (7,513) | | (20,842) | (15,040) |
| Interest income | 491 | 758 | | 2,220 | 1,220 |
| Net loss | \$(2,405) | \$(6,755) | | \$(18,622) | \$(13,820) |
| Net loss per common share, basic | \$(0.13) | \$(0.35) | | \$(0.98) | \$(0.88) |

| | | | | | |
|-------------------------|--------|--------|--|--------|--------|
| and diluted | | | | | |
| Weighted average common | 18,719 | 19,224 | | 19,098 | 15,711 |
| shares and equivalents | | | | | |
| outstanding, basic and | | | | | |
| diluted | | | | | |

SELECTED BALANCE SHEET DATA
(In thousands)

| | December 31, 2000 | December 31, 1999 |
|----------------------------|----------------------|----------------------|
| Cash and equivalents | \$ 4,269 | \$ 8,990 |
| Investments | 24,028 | 40,671 |
| Commissions receivable | 1,541 | 1,695 |
| Other assets | 453 | 2,934 |
| Total current assets | 30,291 | 54,290 |
| Total assets | \$32,643 | \$55,178 |
| Total current liabilities | \$ 2,848 | \$ 5,982 |
| Total liabilities | 2,976 | 5,982 |
| Total stockholders' equity | 29,667 | 49,196 |
| stockholders' equity | \$32,643 | \$55,178 |

OTHER STATISTICAL DATA

| | Quarter Ended December 31, | | Year Ended December 31, | |
|------------------------|-------------------------------|---------|----------------------------|-----------|
| | 2000 | 1999 | 2000 | 1999 |
| Completed Quotes | | | | |
| Term life | 415,255 | 647,541 | 2,105,185 | 1,495,580 |
| Health and Other | 450,815 | 303,232 | 1,606,558 | 547,172 |
| Total completed quotes | 959,137 | 693,268 | 3,296,488 | 1,395,211 |
| Applications received | | | | |

| | | | | | |
|---|-------|-------|--|--------|--------|
| Term life | 7,734 | 7,847 | | 29,383 | 20,104 |
| Health and Other | 1,870 | 844 | | 5,715 | 1,112 |
| Total applications received | 9,604 | 8,691 | | 35,098 | 21,216 |
| | | | | | |
| Policies paid | | | | | |
| Term life | 7,969 | 4,894 | | 27,600 | 10,796 |
| Health and Other | 1,029 | 159 | | 2,934 | 257 |
| Total policies paid | 8,998 | 5,053 | | 30,534 | 11,053 |
| | | | | | |
| Average first year revenue per Term life policy | \$403 | \$445 | | \$397 | \$466 |
| Operating cost per policy | 199 | 241 | | 193 | 304* |
| | | | | | |

*Excludes the effect of the stock compensation charge of \$549,000 in 1999.

SOURCE Quotesmith.com, Inc.

CONTACT: David Vickers, CFO of Quotesmith.com, 630-515-0170, ext. 210, or dvickers@quotesmith.com