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Quotesmith.com CEO Announces Year 2000 Growth Projections and Roadmap For The Future

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Quotesmith.com, Inc. (ticker: QUOT, exchange: NASDAQ) News Release - 5/11/2000

Quotesmith.com CEO Announces Year 2000 Growth Projections and Roadmap For The Future

DARIEN, Ill., May 11 /PRNewswire/ -- Speaking before a group of investors at the 28th Annual Chase H&Q Technology Conference in San Francisco, Quotesmith.com CEO and president Robert Bland said that the company expects 2000 revenue to grow by more than 100% to \$18 million from 1999's \$8.4 million. The company also indicated that it is projecting sales of over 40,000 policies in 2000 vs. 17,800 policies in 1999.

Quotesmith.com (Nasdaq: QUOT) is the only place on earth that allows insurance shoppers to obtain instant quotes from over 300 leading insurance companies and to buy from the company of their choice.

"Our mission is to become the #1 insurance brand on the Internet. In order to accomplish this, we intend to be the #1 seller of insurance on the Internet," explained Bland. "Quotesmith.com is in a great position to lead, in a positive and long-lasting way, the coming revolution in how individuals and small businesses buy their insurance. Clearly, the Internet is the most cost-effective and accurate means to distribute an information-based product like insurance."

Bland described a multi-point plan to deliver value for customers, employees and shareholders in 2000:

- In order to be the #1 seller of insurance on the Internet, we have to always offer a better product than

anybody else; we have to run a very ethical, smooth and cultured customer care center which treats every customer as if they were a favorite long-lost cousin.

- The Quotesmith.com business model is a very simple business model for investors to understand and we intend to keep it simple: we sell insurance and earn commissions.
- The company's projected net loss for 2000 is approximately \$25 million vs. \$13.8 million for 1999. The company is projecting year-end cash and short-term investments of approximately \$22 million.
- The company is projecting breakeven to occur in the 3d quarter of 2002. We have adequate capital to support our current business plan.
- The Year 2000 will see operating expense leverage begin to take hold as more and more policy sales are handled with our current infrastructure.
- Selling and marketing expenses, the company's primary branding vehicle, will grow from \$14.4 million in 1999 to approximately \$28 million in 2000. These planned expenditures are yielding direct relationships with a large number of customers and households who are demonstrating, with their checkbooks, that they are ready, willing and able to buy their insurance, year after year, in a new way. The company's direct-to-consumer advertising contracts do not typically contain long term commitments and can be adjusted as market conditions and response rates warrant.
- Continued income diversification. We've dedicated ourselves to excellence in the three major core lines of insurance, i.e. auto, life and health, and have plans to branch out from there into serving small businesses with a variety of property and casualty coverages. We intend to diversify our income sources beyond individual term life and expect that commissions and fees from the sale of automobile and health insurance will continue to grow as a percentage of our total revenue.
- An expanded auto quote engine with instant buy-online capability. We intend to launch a brand new comparative automobile insurance service, which will include broad-based online "point, click and bind" capabilities. The U.S. automobile insurance market is a \$120 billion market and is ideally suited for immediate online underwriting.
- We intend to continue to broaden our insurance offerings and further develop a smoother online purchase capability, which includes continued enhancements to our core technology in order to provide faster and better customer response times.
- We are intent on building a long term, durable, sustainable, recurring revenue business; as such, we are focused on securing the lifetime economic value of customers. Term life doesn't pay much renewal commission income but auto and health insurance do. We're pushing hard to expand our presence in the auto and health insurance arenas.
- Our 18-month project to go paperless is nearly 100% complete, which means that we now have an integrated internal automation platform which is ideally suited and scalable for our next level of growth and expansion.

Market Opportunity Update

Despite the fact that millions of consumers and small business owners are scouring the Internet for credible insurance information these days, traditional insurers (and their traditional face-to-face sales agents) have not yet embraced the Internet for marketing because they don't like the price-sensitive propensities of the Internet shopper. This situation presents itself as an opportunity for Quotesmith.com to extend its market lead and accelerate this movement to drive information consolidation, cost savings and beneficial structural change for insurance shoppers and insurance companies alike.

In describing the company's 2000 opportunity, Bland remarked, "The most important concepts to Internet insurance buyers are price and selection. We have a substantial head start in that we already own and operate the largest and most comprehensive insurance price comparison databases in America. Our ownership of this unduplicated technology allows us to operate free of embedded conflict that is causing others in the industry to move slower than us. We don't fear one-insurance-company sites because one-company sites can't satisfy the Web surfer's thirst for selection and we believe that we are uniquely poised to capture the first-mover advantage in this emerging market."

Better for Insurance Companies

The Quotesmith.com business model presents a number of sensible, non-threatening value propositions for insurance companies. At the top of the list is our ability to sell a lot of policies. For example:

- Insurance companies appoint Quotesmith.com to distribute their insurance products without conflict to their productive agents because our customers tend to be people who do not have close ties with a traditional face-to-face insurance agent.
- Insurance companies like the fact that we display competing insurance policies based not just on price but also on independent ratings, coverage features and underwriting guidelines. Many companies tell us that having their name and plans listed at our Web site reinforces their own brand image. We agree. We delight in showing insurance companies that our most popular companies are not necessarily the cheapest. Once people have all of the facts, they'll self-select themselves into an insurer that they feel comfortable with. And that means that the independent claims-paying ability ratings really count.
- We offer insurance companies rapid e-commerce penetration into the states and sub-markets of their choice, without their having to incur marginal infrastructure or branch office costs.

Our Overall Strategy

- We are executing a rapid growth, high-risk business plan, especially in the area of expenditures for customer acquisition. Our plan to achieve breakeven status and profitability is secondary to our plan to engage in national advertising. As a result, we expect to sustain net losses for several more quarters in order to rapidly acquire new customers ahead of our competitors.
- In order to be the #1 insurance brand on the Internet, we will continue to invest in and offer, at all times, the broadest and deepest selection of insurance products so that visitors to our Web site have a content experience that is second to none. Scale is vital to both us and our customers. The company with the most instant quotes at its Web site will be able to offer its customers the best service.
- The popular Internet jargon "hits, clicks and eyeballs," by themselves and without revenue generation, means almost nothing to us. In our business, it's the number of paid policies that count -- now and for the long term.
- We take great pains to position ourselves as a distribution partner, and not a distribution threat, for insurance companies.
- We prefer direct-to-consumer marketing campaigns that feature our name and brand and which drive interested insurance shoppers directly to our site as opposed to buying banner ads or "space" at others' Web sites simply for the sake of eyeball exposure. We use "portal deals" and banner ads sparingly and under a discipline that requires all "Internet deals" to produce new customers for us at less cost than our time-tested direct response marketing campaigns.
- We are relentlessly dedicated to simplifying and speeding up the insurance purchase process at Quotesmith.com. Every record-gathering and underwriting function that can be performed online and in

real time ought to be. Those required off-Internet underwriting steps, such as the collection of personal medical records from a customer's own doctor and hospital, are performed by our insurance-experienced, salaried representatives who are dedicated to treating every customer as if they were a favorite long-lost cousin.

Where Trust Happens

No successful brand could take root without that company enjoying a superb reputation in the marketplace. To that end, we have committed ourselves to a standard of conduct in our marketing efforts and the operation of our business which takes respect for the insurance buyer and information disclosure to new levels of customer satisfaction. Specific things that we do to enhance our brand and build trust include:

- We offer the strongest privacy policy of any Internet company we know of. Here's what we promise our customers: "We will never give, sell, rent, lease or otherwise transmit your name to any person or entity other than the insurance company you are applying to here and now." Period.
- We guarantee that all of our insurance quotes are accurate or we'll overnight a \$500 cash reward to anybody who can show us an error. Our database team amassed an impressive record of accuracy in 1999: we paid 50 cash rewards in a year in which we recorded 2.5 million completed quotes. Our unique accuracy guarantee gives comfort to customers and insurers alike.
- We avoid promising a savings in our marketing communications. The insurance industry is rife with marketers promising savings which turn out to be false promises. Continued widespread use of this ploy is harming the industry -- we don't engage in it. Nobody knows if there will be any savings until after they've compared their alternative to a full search of our databases.
- We give every new policyholder a full 30 days to look their policy over and return it to us for cancellation at no charge. This 30-day guarantee exceeds the insurance regulations of most states and gives our customers extra peace -- and time -- to reaffirm their decision to buy through us.

Forward Looking Statements

This announcement may contain forward-looking statements that involve risks, assumptions and uncertainties pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. This announcement may also contain forward-looking statements about events and circumstances that have not yet occurred and may not occur.

Expressions of future goals and similar expressions including, without limitation, "may," "will," "believes," "should," "could," "hope," "expects," "expected," "does not currently expect," "anticipates," "predicts," "potential" and "forecast," reflecting something other than historical fact, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

Investors should be aware that actual results may differ materially from the results predicted and reported results should not be considered an indication of future performance. Reported Web site activity and/or quotes are not necessarily indicative of any present or future revenue.

The Company will not necessarily update the information in this press release if any forward-looking statement later turns out to be inaccurate. Potential risks and uncertainties include, among others, Quotesmith.com's limited e-commerce operating history, anticipated losses, unpredictability of future revenues, potential fluctuations in quarterly operating results, seasonality, consumer trends, competition, risks of system interruption, the evolving nature of its business model, the increasingly competitive online commerce environment, dependence on continuing growth of online commerce and risks associated with capacity constraints and the management of growth. More information about potential factors that could affect the company's financial results is included in the

company's latest Form 10-K and Form 10-Q, as filed with the United States Securities and Exchange Commission.

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