

INSWEB CORP
Form 10-K
March 31, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

FORM 10-K

(Mark One)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2007**
- or
- 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

(State or other jurisdiction of
Incorporation or organization)

94-3220749

(I.R.S. Employer
Identification No.)

11290 Pyrites Way, Gold River, California 95670

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(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 is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. YES o NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

YES NO

The aggregate market value of registrant's voting and non-voting common equity held by non-affiliates of registrant, based upon the closing sale price of the common stock as of the last business day of registrant's most recently completed second fiscal quarter (June 29, 2007), as reported on the Nasdaq Global Market, was approximately \$16,337,000. Registrant is a smaller reporting company as defined in Regulation S-K. 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 2, 2008: 4,680,717

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the definitive Proxy Statement for registrant's 2008 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.

INSWEB CORPORATION

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2007

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PART I

Unless otherwise indicated or required by the context, as used in this Annual Report on Form 10-K, the terms we, our and us refer to InsWeb Corporation and its subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States.

Certain information contained in this Annual Report on Form 10-K should be considered forward-looking statements as defined by Section 21E of the Private Securities Litigation Reform Act of 1995. All statements in this report other than historical information may be deemed forward-looking statements. These statements present (without limitation) the expectations, beliefs, plans and objectives of management and future financial performance and assumptions underlying, or judgments concerning, the matters discussed in the statements. The words believe, estimate, anticipate, project and expect, and similar expressions, are intended to identify forward-looking statements. Forward-looking statements involve certain risks, estimates, assumptions and uncertainties, including our ability to generate significant revenues from our core business; our ability to maintain profitability; our reliance on automobile insurance; our ability to expand our operations;; and our success in developing and maintaining cost efficient online relationships to attract consumers to our website. A variety of factors could cause actual results or outcomes to differ materially from those expected and expressed in our forward-looking statements. Some important risk factors that could cause actual results or outcomes to differ from those expressed in the forward-looking statements are described in Item 1A Risk Factors of this report.

The list of factors that may affect future performance and the accuracy of forward-looking statements described in Item 1A Risk Factors of this report is illustrative, but by no means exhaustive. Additional risk factors may be described from time to time in our future filings with the U.S. Securities and Exchange Commission. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All such risk factors are difficult to predict, contain material uncertainties that may affect actual results and may be beyond our control.

Item 1. Business.

InsWeb was originally incorporated in California in February 1995 and re-incorporated in Delaware in October 1996, and is headquartered outside Sacramento, California. InsWeb's headquarters mailing address is 11290 Pyrites Way, Gold River CA, 95670, and the telephone number at that location is (916) 853-3300. The InsWeb website is www.InsWeb.com.

The InsWeb Online Insurance Marketplace

InsWeb Corporation operates an online insurance marketplace that enables consumers to obtain multiple insurance quotes for a variety of insurance products, including automobile, homeowners and term life. InsWeb's marketplace electronically matches consumers and insurance providers. InsWeb has combined extensive knowledge of the insurance industry, technological expertise and close relationships with a 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, and apply for and receive quotes for coverage for automobile, homeowners and term life insurance. Management believes that InsWeb provides insurance providers with pre-qualified consumers at attractive acquisition costs, with the scalable, cost-efficient distribution capabilities of InsWeb's Internet-based model.

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InsWeb's principal source of revenues is transaction fees from participating insurance providers, either directly from an insurance company or from a local insurance agent. While quotes obtained through InsWeb's online insurance marketplace are provided to consumers free of charge, InsWeb earns revenues from participating insurance companies or agents based on the delivery of qualified leads. In certain instances, consumers are provided the opportunity to link directly to a third-party insurance provider's website (Sponsored Web Link program). In these situations, the consumer will complete the third-party company's online application, and InsWeb will be paid a fee for that consumer link or click-through.

The Quote Generation and Purchase Process

For those consumers that proceed with an InsWeb application, the quote generation and purchase process generally involves the following steps:

- data entry by the consumer;
- underwriting and rating, the latter through InsWeb engines or through insurance providers' proprietary systems;
- presentation of quotes to the consumer, either instantly or on a delayed basis;
- delivery of leads to participating insurance providers;
- potentially, purchase of the insurance policy.

Data Entry. To complete 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 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 basic underwriting and rating criteria. To assist consumers in evaluating and fulfilling their insurance needs, InsWeb provides consumers with 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 completes only one online form for a particular type of insurance, but may receive quotes from multiple participating companies depending on which companies have qualified that consumer. This information can also 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 provider's targeted risk profile. Electronic underwriting eliminates the expense of screening and quoting risks that an insurance company ultimately may not want to accept. Additionally, 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.

Presentation of Quotes. After a consumer has completed the form for a particular product, the consumer is presented with a quote pad. The quote pad contains the logos of insurance providers (either a local agent or an insurance company) who are interested in presenting a quote to the consumer. In some cases the rates charged by the insurance companies will also be displayed. When rates are not displayed, the quote pad informs the consumer which insurance providers will present a quote on a delayed basis, either via e-mail or telephone. The response method

varies among insurance products and providers.

Delivery of Leads. InsWeb earns revenues from participating insurance providers based on the delivery of qualified leads. With auto insurance providers (including insurance companies, third-party local agent networks and InsWeb's AgentInsider network, which provides leads directly to local personal lines insurance agents), InsWeb is paid a transaction fee based on the delivery of a lead, whether or not the consumer actually purchases a policy. For auto and home insurance coverage, qualified leads are produced when a consumer clicks to view insurance company quotes. These leads are produced both for insurance companies providing instant online quotes and for insurance companies and local insurance agents who provide email or other offline quotes. For term life insurance coverage, until April 2007, consumer leads were sent to InsWeb's licensed subsidiary, InsWeb Insurance Services, Inc., which earned a commission when a policy is sold. Since April 2007, with the winding down of the term-life agency, leads are sent to third party providers of fulfillment services.

Purchase of Policy. After InsWeb generates and delivers a qualified lead, insurance providers may respond directly to the interested consumer by e-mail or telephone to close the purchase of the policy. The delivery of a qualified lead to the insurance company or local agent 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.

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; and
- glossaries of insurance-related terms;

Insurance Products

Insurance companies participating in InsWeb's online insurance marketplace currently offer automobile and homeowners insurance. In addition, InsWeb has contractual relationships with third-party providers for term life, small business, renters, condominium insurance, home warranty, RV, motorcycle, critical illness 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 majority of its revenues. At December 31, 2007, InsWeb's online marketplace offered quotes or web-sponsored links to consumers in all 50 states, plus the District of Columbia.

Homeowners Insurance. At December 31, 2007, the InsWeb online marketplace offered comparative quotes for homeowners' insurance from providers in all 50 states, plus the District of Columbia.

Term life Insurance. At December 31, 2007, InsWeb markets term life insurance on behalf of certain third party fulfillment providers in all 50 states, plus the District of Columbia. Consumers are sent directly to those third party sites.

Other Products. InsWeb's online marketplace also allows consumers to shop for term life, small business, renters and condominium insurance, as well as home warranty, motorcycle and RV insurance, and health and critical illness insurance in certain states. At present, the InsWeb online marketplace does not enable consumers to obtain multiple quotes with respect to these types of insurance; instead, consumers seeking quotes for these products are linked to a single insurance company or third party for each product in the states in which it is available.

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 additional companies and expanding InsWeb's relationship with participating insurance companies and agencies. At December 31, 2007, InsWeb had relationships with 29 insurance companies for automobile, homeowners and term life insurance, including many large companies with established brand names that InsWeb believes are attractive to consumers.

For the year ended December 31, 2007, three customers (NetQuote, Allstate and AIG) accounted for 16%, 13% and 13% of total revenues, respectively. For the year ended December 31, 2006, two customers (NetQuote and AIG) accounted for 17% and 10% of total revenues. For the year ended December 31, 2005, one customer (NetQuote) accounted for 27% of total revenues. At December 31, 2007, two customers (AIG and NetQuote) each accounted for 17% of accounts receivable. At December 31, 2006, two customers (AIG and NetQuote) accounted for 18% and 12% of accounts receivable, respectively.

Insurance Agent Network

In 2004, InsWeb launched its agent network program, which provides online auto and homeowners' insurance consumers direct access to insurance agencies. Prior to September 2005, direct consumer access to such agencies was possible only through an intermediary, NetQuote, Inc. During the years ended December 31, 2007, 2006 and 2005, NetQuote, Inc. represented 15%, 19% and 29% of auto transaction fees, respectively. With the launch of InsWeb's proprietary agent network offering (AgentInsider) in September 2005, the Company began selling leads directly to insurance agents. Through the AgentInsider platform, agents can bid for

participation in InsWeb's marketplace of automobile and homeowners' insurance consumers. In addition, InsWeb has entered into agreements with several large insurance companies to allow their agents to participate in AgentInsider without bidding. Whether the lead is obtained by the agent through bidding or participating through a sponsoring insurance company, InsWeb is paid a fee for each consumer lead sent to an agent, regardless of whether or not a policy is sold to the applicant. As of December 31, 2007, approximately 5,250 personal lines insurance agents were actively purchasing consumer leads through AgentInsider, representing 22% of auto and homeowners' transaction fees. Separately, certain carriers purchase leads from InsWeb and redistribute them to their agents; at December 31, 2007, approximately 2,400 such agents were indirectly accessible to consumers.

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 and with local personal lines insurance agents. InsWeb believes that increased traffic will encourage insurance providers to develop and expand their relationship with InsWeb, and that enhancing the comparative shopping opportunities available through increased insurance provider participation will drive further increases in consumer traffic.

Consumer Marketing

InsWeb's marketing strategy is designed to cost effectively increase consumer traffic to its website and to drive awareness of its insurance products and services. The Company employs various means of advertising, which consist primarily of online advertising, portal advertising, e-mail campaigns, strategic partnerships with high-profile online companies that can drive significant traffic to its site, and sponsored search.

Online Direct-Response Advertising. InsWeb's online direct-response advertising, which drives the majority of InsWeb's consumer traffic, is intended to create a presence for InsWeb on a wide range of websites. 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 may be actively seeking insurance.

Online Relationships. 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, homes or personal finances. Agreements with these online companies typically provide that InsWeb pay the online company a transaction fee (based on click-throughs or consumer leads) and in very limited 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. Many of InsWeb's online advertising and marketing agreements have a 30 to 90 day term, with either party having a right to terminate the agreement on seven days notice or less.

Traditional Consumer Marketing. Currently, InsWeb's consumer marketing is focused on online marketing efforts. However, in the past, InsWeb has engaged in traditional advertising, including radio, television and print advertising, and may do so again in the future.

Local Insurance Agent Marketing and Acquisition

InsWeb's local agent sales and marketing efforts seek to identify, through direct mail, email and telephone solicitation, referrals from other local agents and general advertising, personal lines insurance agents interested in participating in the AgentInsider program. In addition, sales efforts are directed toward securing carrier assistance, either through sponsored agreements, whereby insurance carriers promote and market the AgentInsider program to their participating local agents, or simply by inviting InsWeb sales personnel to agent gatherings. At December 31, 2007, the Company had five major insurance carriers who have contracted to promote or sponsor AgentInsider for their local agents.

Technology

Architecture and Interfaces

InsWeb has invested significant resources to develop and deploy its two proprietary technology platforms: the original, consumer-facing platform, and the newer AgentInsider platform. InsWeb believes these platforms constitute 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 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 AgentInsider platform, launched in September 2005, powers a self-service web site which allows agents to manage their accounts entirely online, including registration, the choice of zip codes in which the agent wishes to receive leads, the number of leads they wish to receive, their bids for different types of leads, and finally the financial end of the transaction, namely the entry and automatic processing of their credit card information. This platform enables InsWeb to transact with thousands of agents with only a handful of customer service representatives.

InsWeb's server software is designed as 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.

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 or local agents. 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 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 disaster recovery site in the Sacramento, California area to facilitate the operation of its online marketplace in case of a failure at its main facility.

Product Development

InsWeb devotes resources to improving the structure of its products and delivering additional tools that allow insurance providers to effectively reach consumers. InsWeb generally follows a monthly 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 invests in refining its online consumer tools and research materials, as well as developing new support products. InsWeb continues to research 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 \$3.1 million in 2007, \$4.5 million in 2006, and \$5.4 million in 2005.

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 regarding the use and disclosure of consumer information that is collected on its online marketplace. InsWeb is a licensee of the TRUSTe Privacy Program and adheres to these standards regarding the protection of the personally identifiable information of Internet users.

Competition

The online insurance distribution market, like the broader electronic commerce market, 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;
- other lead generation services that provide consumer leads to insurance agents;
- 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 typically 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.

In order to provide the types of services that require an insurance license, InsWeb established InsWeb Insurance Services, Inc. in 1998 and currently maintains property and casualty licenses and life and health licenses in 50 states and the District of Columbia. In addition, officers and employees 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 subsidiaries, 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.

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, and many other countries. Other U.S. and worldwide trademark applications and registrations include, but are not limited to, AgentInsider, AgentInsider.com, InsWeb.com, Where You and Your Insurance Really Click, and Lower Your Insurance Costs, Not Your Expectations. InsWeb has applied for various patents on its core technology and related patentable subject matter; and two patents have been issued. 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. 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.

From time to time, InsWeb receives notice of claims of infringement of other parties' proprietary rights or claims that its own patents or other intellectual property rights are invalid. We are currently a party, as both defendant and plaintiff, to pending litigation, as described in Item 3. Legal Proceedings. In the past, InsWeb has been subject to other infringement claims in the ordinary course of its business, including the patent infringement claims described in the section titled Legal Proceedings and other 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, 2007, InsWeb had 62 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.

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We have no long-term employment agreements with any of our key personnel. However, the executive officers and certain other key members of management are eligible to participate in the InsWeb Executive Retention and Severance Plan (the Plan) approved by the Board of Directors on June 14, 2004. Participants in the Plan are entitled to receive cash severance payments and health and medical benefits in the event their employment is terminated in connection with a change in control. Participants will also receive these benefits if InsWeb terminates their employment other than for cause or if the participant voluntarily terminates his employment for good reason following certain specified actions by InsWeb. Upon any other termination of employment, the participant will be entitled only to accrued salary through the date of termination and any other vested benefits.

Available Information

For further discussion concerning our business, see the information included in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplementary Data of this report.

We make available free of charge through our Web site at www.insweb.com our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, if applicable, pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

Item 1A. Risk Factors.

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements set forth at the beginning of Item 1 of this report.

We have a history of losses and we may not maintain profitability

Although we had operating income of \$2.1 million in 2007, we incurred operating losses of \$5.8 million in 2006 and \$6.3 million in 2005. As of December 31, 2007, our accumulated deficit was \$189.5 million. Our operating results for future periods are subject to numerous uncertainties, and we may not generate sufficient revenues to maintain profitability on a quarterly or annual basis. If we are unable to sustain profitability, 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 delay, reduce, or cease certain of our operations, any of which could materially harm our business and financial results.

If we are unable to continue generating positive cash flows from operations, our ability to operate could suffer or cease

While we were profitable for 2007, our operating activities in the past have consumed substantial amounts of cash, cash equivalents and short-term investments (provided \$2.5 million in 2007, used \$3.6 million in 2006, and used \$5.3 million in 2005). At December 31, 2007, we had \$10.8 million in cash and cash equivalents. In order to remain competitive, we must continue to make investments essential to our ability to operate, including in particular, investments in direct consumer marketing. In addition, we will continue to face the costs of being a public company. In the event that we are unable to generate revenues sufficient to offset our costs, or if our costs of marketing and operations are greater than we anticipate, we may be unable to grow our business at the rate desired or may be required to delay, reduce, or cease certain of our operations, any of which could materially harm our business and financial results.

Our business is difficult to evaluate because our market is evolving rapidly and our business model is unpredictable

An evaluation of our future prospects is very difficult. An investor in our common stock must consider the uncertainties in relatively 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;

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- our ability to retain key employees; and
- our reliance on key insurance providers and ability to retain insurance providers.

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.

Our future revenues are unpredictable and our operating results are likely to fluctuate from quarter to quarter

Due to the evolving nature of our business model and the high proportion of our revenues that are derived from consumer traffic to our website, our future revenues are inherently difficult to forecast. In light of recent changes in our business model, including the evolution of InsWeb's agent network program, 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.

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;
- We may experience increases in our direct marketing expenses due to unanticipated increases in the cost of online advertising for insurance;
- Consumer traffic may also fluctuate as a result of changes in level of advertising by entities with which we have insurance marketing relationships;
- 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;
- Our revenues may be harmed by inadequate levels of participation by local personal lines insurance agents in our new agent network initiative, if the agent network program offered by our current third-party intermediary is unsuccessful or if our current intermediary should cease to serve in this capacity and we are unsuccessful in securing a replacement;
- Use of the Internet by consumers may fluctuate due to seasonal factors or other uncontrollable factors affecting consumer behavior;
- 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; 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 advertising 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. In addition, online advertising for insurance products becomes more expensive during the holiday period as internet portals and other online firms dedicate an increasing percentage of their inventory to seasonal goods and services. 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 84% of our transaction revenues in 2007, approximately 76% in 2006 and approximately 79% in 2005. 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, 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.

We are exposed to increased costs and risks associated with complying with the increasing regulation of corporate governance and disclosure standards

We have spent a significant amount of management time and external resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and Nasdaq Stock Market rules. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management's annual review and evaluation of our internal control systems, and attestations of the effectiveness of these systems by our independent registered public accounting firm. The current requirement is for management's assessment by year end 2007 and for the independent registered public accounting firm audit of management's assessment to be completed by year end 2008. This process may require us to hire additional personnel and outside advisory services which will result in significant additional accounting and legal expenses. We may be unsuccessful in obtaining an unqualified report on the effectiveness of, our internal controls over financial reporting from our independent auditors. In the event that our chief executive officer or chief financial officer determine that our controls over financial reporting are not effective as defined under Section 404, investor perceptions of our company may be adversely affected and could cause a decline in the market price of our stock.

If we are unable to promote our brands and expand our brand recognition, our ability to draw consumers and agents to our services 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. Our current consumer 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. InsWeb's local agent sales and marketing efforts seek to identify personal line insurance agents interested in participating in the AgentInsider program through direct mail, email and telephone solicitation, referrals from other local agents and general advertising. In addition, sales efforts are directed toward signing carrier sponsored agreements, whereby insurance carriers promote and market the AgentInsider program to their participating local agents, both captive and independent. In order to attract and retain consumers and local agents and to promote and maintain our brands, we are continuing our financial commitment to both the consumer and agent marketing efforts. However, 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 consumers or agents do not perceive our existing services 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 ability to maintain a positive recognition of our brand also depends in part on the quality of the products and services consumers receive from our participating providers, 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.

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, 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 providers or increase the fees we are required to pay for online advertising, 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.

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 also offer their products directly to consumers through insurance agents, mass marketing campaigns or through other traditional methods of insurance distribution. In most cases, our participating insurance companies 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. Furthermore, our agreements permit the insurance company to limit its participation to certain states. 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 the securities class action lawsuit involving InsWeb is uncertain

A securities class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York, (the Court) purportedly on behalf of all persons who purchased our common stock from July 22, 1999 through December 6, 2000. The complaint named as defendants InsWeb, certain current and former officers and directors, and three investment banking firms that served as underwriters for InsWeb's initial public offering in July 1999. The complaint, as subsequently amended, alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10 and 20 of the Securities Exchange Act of 1934, on the grounds that the prospectuses 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 material portions of the shares of our stock sold in the offerings and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocate shares of the stock sold in the 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. No specific damages are claimed. Similar allegations have been made in lawsuits relating to more than 300 other initial public offerings conducted in 1999 and 2000, all of which have been consolidated for pretrial purposes. In October 2002, all claims against the individual defendants were dismissed without prejudice. In February 2003, the Court dismissed the claims in the InsWeb action alleging violations of the Securities Exchange Act of 1934 but allowed the plaintiffs to proceed with the remaining claims. In June 2003, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuers in all the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. InsWeb and most of the other issuer defendants have accepted the settlement proposal. While the District Court was considering final approval of the settlement, the Second Circuit Court of Appeals vacated the class certification of plaintiffs' claims against the underwriters in six cases designated as focus or test cases. On December 14, 2006, the District Court ordered a stay of all proceedings in all of the lawsuits pending the outcome of plaintiffs' petition to the Second Circuit for rehearing en banc and resolution of the class certification issue. On April 6, 2007, the Second Circuit denied the plaintiffs' petition for rehearing, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. Because of the significant technical barriers presented by the Court's decision, the parties withdrew the proposed settlement and the plaintiffs filed an amended complaint. There is no assurance that a new settlement will be negotiated, and then approved. If the settlement is not negotiated and subsequently approved, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

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.

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.

System failures could reduce or limit traffic on our website or interrupt our communications with individual insurance companies and harm our ability to generate revenue

Since launching our online marketplace, we have experienced occasional minor system failures or outages that 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.

Additionally, several of our participating insurance companies have chosen a technical solution that requires that our website 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.

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. If this location 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 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, Chairman of our Board and Chief Executive Officer, and 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, although Jaimie Pickles, our President and Chief Operating Officer, Kiran Rasaretnam, our Chief Financial Officer, L. Eric Loewe, our Senior Vice President and General Counsel, and Steven Yasuda, our Controller and Chief Accounting Officer and certain other key employees are entitled to certain severance benefits should their employment be involuntarily terminated. We maintain a \$2 million life insurance policy on Mr. Enan that names InsWeb as the beneficiary, but we maintain no similar insurance on any of our other key employees. InsWeb has granted stock options as incentives to executive officers, new employees and certain other key personnel. As the value of these incentives is 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.

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

From time to time we have been 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 are currently a party, as both defendant and plaintiff, to pending patent litigation, as described in Item 3. Legal Proceedings. In the past, we have been subject to other 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. The pending litigation, and future 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.

Our stock price has fluctuated widely

The trading price of our common stock has been 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 insurance providers, conditions and trends in the electronic commerce and insurance industries, general market conditions and other factors. 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 1B. Unresolved Staff Comments.

Not applicable.

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 leases expiring through September 2008. These facilities were formerly occupied by InsWeb as its headquarters and were vacated by InsWeb in December 2000 when it consolidated its operations at its present facility. This space is currently subleased through the remainder of InsWeb's lease term.

InsWeb believes that its existing 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.

Securities Class Action

A securities class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York, (the Court) purportedly on behalf of all persons who purchased our common stock from July 22, 1999 through December 6, 2000. The complaint named as defendants InsWeb, certain current and former officers and directors, and three investment banking firms that served as underwriters for InsWeb's initial public offering in July 1999. The complaint, as subsequently amended, alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10 and 20 of the Securities Exchange Act of 1934, on the grounds that the prospectuses 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 material portions of the shares of our stock sold in the offerings and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocate shares of the stock sold in the 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. No specific damages are claimed. Similar allegations have been made in lawsuits relating to more than 300 other initial public offerings conducted in 1999 and 2000, all of which have been consolidated for pretrial purposes. In October 2002, all claims against the individual defendants were dismissed without prejudice. In February 2003, the Court dismissed the claims in the InsWeb action alleging violations of the Securities Exchange Act of 1934 but allowed the plaintiffs to proceed with the remaining claims. In June 2003, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuers in all the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. InsWeb and most of the other issuer defendants have accepted the settlement proposal. While the District Court was considering final approval of the settlement, the Second Circuit Court of Appeals vacated the class certification of plaintiffs' claims against the underwriters in six cases designated as focus or test cases. On December 14, 2006, the District Court ordered a stay of all proceedings in all of the lawsuits pending the outcome of plaintiffs' petition to the Second Circuit for rehearing en banc and resolution of the class certification issue. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. Because of the significant technical barriers presented by the Court's decision, the parties withdrew the proposed settlement and the plaintiffs filed an amended complaint. There is no assurance that a new settlement will be negotiated, and then approved. If the settlement is not negotiated and subsequently approved, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Section 16(b) Lawsuit

On October 12, 2007, Vanessa Simmonds, a purported stockholder of InsWeb, filed a complaint in the United States District Court for the Western District of Washington, against InsWeb and two investment banking firms that served as underwriters for the initial public offering of our common stock in July 1999. The complaint alleges that: (i) the defendants, other underwriters of the offering, and unspecified officers, directors and principal stockholders of InsWeb constituted a group that owned in excess of 10% of InsWeb's outstanding common stock between July 23, 1999 and July 20, 2000; (ii) the defendants were therefore subject to the short swing prohibitions of Section 16(b) of the Securities Exchange Act of 1934; and (iii) the defendants engaged in purchases and sales, or sales and purchases, of the Company's common stock within periods of less than six months in violation of the provisions of Section 16(b). The complaint seeks disgorgement of all profits allegedly received by the defendants, with interest and attorneys fees, for transactions in violation of Section 16(b). InsWeb, as the statutory beneficiary of any potential Section 16(b) recovery, is named as a nominal defendant in the complaint. A number of similar lawsuits against underwriters of other public offerings have recently been filed by the same plaintiff and law firm. On February 11, 2008, the court approved a stipulated order that InsWeb need not answer or otherwise respond to the complaint. InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Patent Litigation

On November 30, 2007, Autobyte Inc. filed a complaint in the United States District Court for the Eastern District of Texas against InsWeb and three other defendants. The complaint alleges that InsWeb and the other defendants infringed U.S. Patent No. 6,282,517 (the '517 patent'), which appears to disclose a method and apparatus to allow a potential automobile purchaser to create and submit a purchase request for a new or used automobile over a computer network. The complaint contains generic allegations that InsWeb infringed the '517 patent by making, using, offering to sell and selling systems and/or methods that embody the invention

claimed in the 517 patent and/or actively inducing and/or contributing to others' infringement of such inventions. The complaint seeks unspecified monetary damages and injunctive relief. On February 25, 2008, InsWeb filed an answer and counterclaim denying infringement of the 517 patent and asserting invalidity of the patent and other affirmative defenses.

On March 11, 2008, InsWeb filed a complaint in the United States District Court for the Southern District of California against Autobyte, Inc., Autobyte I Corporation (formerly known as AVV, Inc.) and Dominion Enterprises. The complaint alleges that the defendants have infringed InsWeb's U.S. Patent No. 6,898,597, which relates to an event logging system that monitors for the occurrence of predefined website usage events. Defendant Autobyte, through its wholly-owned subsidiary AVV, marketed and sold a product known as WebControl that embodies the invention claimed in InsWeb's patent. In January 2008, Autobyte sold AVV, including the WebControl product, to Dominion Enterprises. InsWeb is seeking monetary damages in an amount to be determined at trial from each defendant and a permanent injunction against further acts of infringement.

InsWeb intends to vigorously defend the Texas lawsuit and prosecute the California action. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

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

InsWeb did not submit any matters to a vote of our security holders during the fourth quarter of 2007.

PART II

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

InsWeb's common stock is quoted on the Nasdaq Global Market under the symbol INSW. As of December 31, 2007, there were approximately 1,900 stockholders of record. Certain 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 Global Market:

		Price Range Quarter Ended	
		High	Low
2007			
December 31, 2007	\$	11.40	\$ 8.28
September 30, 2007	\$	9.15	\$ 6.72
June 30, 2007	\$	8.67	\$ 3.06
March 31, 2007	\$	4.71	\$ 2.93
2006			
December 31, 2006	\$	3.74	\$ 2.03
September 30, 2006	\$	2.88	\$ 1.65
June 30, 2006	\$	3.25	\$ 2.04
March 31, 2006	\$	3.86	\$ 2.12

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.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

(in thousands, except per share amounts)	Year ended December 31,				
	2007	2006	2005	2004	2003
Revenues:					
Transaction fees	\$ 32,940	\$ 28,161	\$ 24,650	\$ 13,987	\$ 23,192
Other	258	340	365	673	939
Total revenues	33,198	28,501	25,015	14,660	24,131
Operating expenses:					
Direct marketing	19,567	18,576	15,207	8,327	8,916
Sales and marketing	5,246	7,512	6,770	5,541	7,095
Technology	3,075	4,459	5,354	5,416	9,014
General and administrative	4,213	3,799	4,023	4,544	5,883
Impairment of long-lived assets (1)					214
Lease loss accrual (2)	(985)				
Total operating expenses	31,116	34,346	31,354	23,828	31,122
Income (loss) from operations	2,082	(5,845)	(6,339)	(9,168)	(6,991)
Interest and other income, net (3)	384	2,475	398	235	8,037
Income (loss) before income taxes	2,466	(3,370)	(5,941)	(8,933)	1,046
Provision for income taxes	45				
Income (loss) before income taxes	\$ 2,421	\$ (3,370)	\$ (5,941)	\$ (8,933)	\$ 1,046
Net income (loss) per share:					
Basic	\$ 0.55	\$ (0.82)	\$ (1.40)	\$ (1.90)	\$ 0.21
Diluted	\$ 0.46	\$ (0.82)	\$ (1.40)	\$ (1.90)	\$ 0.20
Shares used in computing net income (loss) per share:					
Basic	4,387	4,092	4,234	4,711	5,030
Diluted	5,295	4,092	4,234	4,711	5,283

(1) Represents the write-down of long-lived assets related to the acquisition of certain assets of Intuit Insurance Services, Inc.

(2) Represents management's change in estimate of lease loss accrual. See Note 5 Notes to Consolidated Financial Statements.

(3) In 2003, the Company sold its interest in Finance All K.K. and recognized a gain of \$6.8 million. Also in 2003, InsWeb and eHealthInsurance.com agreed to settle ongoing litigation in the U.S. District Court for Northern California, and eHealthInsurance agreed to pay InsWeb \$800,000 for the services performed by InsWeb prior to the termination of the marketing agreement. In 2002, InsWeb recognized a gain of \$10.6 million from the renegotiation and amendment of the obligations under a license and distribution agreement, which was originally

entered into in 2001 in connection with the purchase of certain assets of Intuit Insurance Services, Inc.

CONSOLIDATED BALANCE SHEET DATA:

(in thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Cash and cash equivalents	\$ 10,777	\$ 6,750	\$ 9,073	\$ 9,334	\$ 15,223
Short-term investments			1,233	8,145	10,868
Working capital	10,011	4,787	7,271	14,451	22,279
Total assets	14,133	10,456	14,018	20,475	29,882
Total stockholders equity	10,343	5,291	8,141	15,715	24,279

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

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. The words or phrases expects, anticipates, intends, plans, believes, seeks, estimates, and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties, and InsWeb cautions you that any forward-looking information provided by, or on behalf of, InsWeb is not a guarantee of future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond InsWeb's control, including, but not limited to, uncertain economic conditions which could result in continued decreases in revenue and reduced participation in InsWeb's marketplace, anticipated losses, the unpredictability of future revenues, reliance on key customers' property and casualty insurance carriers- who are themselves subject to volatility in their operating cycles, competition, risks associated with system development and operation risks, uncertainty regarding the costs and revenues associated with new initiatives, management of potential growth and risks of new business areas, business combinations, and strategic alliances. These risks and uncertainties, as well as other risks and uncertainties, which are described in greater detail in Item 1A. Risk Factors and other documents filed with the Securities and Exchange Commission, could cause InsWeb's actual results to differ materially from historical results or those currently anticipated. All forward-looking statements are based on information available to InsWeb on the date hereof, and InsWeb assumes no obligation to update such statements.

Overview

InsWeb operates an online insurance marketplace that enables consumers to comparison shop online and to obtain insurance company-sponsored quotes for a variety of insurance products, including automobile, homeowners and term life. InsWeb's marketplace electronically matches consumers and insurance providers. 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 principal source of revenues is transaction fees from participating insurance providers, either directly from an insurance company or from a local insurance agent. While quotes obtained through InsWeb's online insurance marketplace are provided to consumers free of charge, InsWeb earns revenues from participating insurance companies or agents based on the delivery of qualified leads. These fees are earned either from an insurance company based on a closed policy, from the delivery of a lead to a participating insurance provider or local agent, or from a commission earned by InsWeb's insurance agency subsidiary, InsWeb Insurance Services, Inc. In certain instances, consumers are provided the opportunity to link directly to a third-party insurance provider's website. In these situations, the consumer will complete the third-party company's online application, and InsWeb will be paid a fee for that consumer link or click-through.

Prior to September 2005, InsWeb's agent network program was conducted exclusively through an intermediary, NetQuote, Inc. During the year ended December 31, 2007, NetQuote represented 15% of auto transaction fees, compared to 19% and 29% during the years ended December 31, 2006 and 2005, respectively. To lessen InsWeb's reliance on this intermediary, and to maximize its revenue potential, InsWeb launched a proprietary agent network program (AgentInsider) to provide leads directly to local insurance agents who have registered with InsWeb. AgentInsider was launched in September 2005 and complements the offering of our intermediary. As of December 31, 2007, 5,250 local personal lines insurance agents were actively purchasing consumer leads through AgentInsider, representing 22% of auto and homeowners transaction fees. We expect that the agent network program, both through the intermediary and through our internally developed network, will continue to represent a significant percentage of auto transaction fees.

InsWeb has 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 84% of our transaction revenues in 2007, approximately 76% in 2006 and approximately 79% in 2005. We anticipate that automobile insurance will continue to account for a substantial portion of our revenues for the foreseeable future.

InsWeb has been dependent on a limited number of insurance companies for a majority of its automobile insurance transaction fee revenues, although recent expansion of InsWeb's offering has reduced that dependency to some extent. Revenues from NetQuote accounted for approximately 16%, 17% and 27% of InsWeb's total revenues for the years ended December 31, 2007, 2006 and 2005, respectively.

InsWeb had an operating income of \$2.1 million in 2007. InsWeb had incurred operating losses of \$5.8 million in 2006 and \$6.3 million in 2005, and as of December 31, 2007, our accumulated deficit was \$189.5 million. In addition, InsWeb's operating activities to date increased its cash position by \$4.0 million in 2007, yet has consumed substantial amounts of cash, cash equivalents and short-term investments (\$3.6 million in 2006 and \$5.3 million in 2005) over time, however InsWeb should not require capital in the near future. At December 31, 2007, InsWeb had \$10.8 million in cash and cash equivalents. The losses and the related accumulated deficit are a result of 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. In order to remain competitive, the Company must continue to make investments essential to its ability to operate, and InsWeb intends to continue to invest in product development and maintenance, and sales and marketing. In addition, the Company will continue to incur the costs associated with continuing to function as a publicly listed company, including the costs of compliance with the provisions of the Sarbanes-Oxley Act of 2002, among other things. As a result, InsWeb may not be able to maintain profitability. In the event that InsWeb is unable to generate revenues sufficient to offset its costs, or if its costs of marketing and operations are greater than it anticipates, the Company may be unable to grow its business at the rate desired or may be required to delay, reduce, or cease certain of its operations, any of which could materially harm its business and financial results. In addition, if InsWeb is unable to sustain profitability, the Company may need to seek additional financing to continue its business operations. The Company 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, it may delay, significantly reduce or cease certain of its operations, which could adversely affect its results of operations and financial position.

Subsequent Events

A special meeting of stockholders was held on February 29, 2008 to consider and approve the InsWeb Corporation 2008 Stock Option Plan (the Plan). The purpose of the Plan is to advance the interests of InsWeb and its stockholders by providing stock option grants to attract, retain and reward employees, directors and consultants and to motivate such persons to contribute to InsWeb s growth and profitability. The Plan was approved at the special meeting with 89% of the shares present or represented by proxy voting in favor of adoption.

As noted in Item 3, Legal Proceedings , on March 11, 2008 InsWeb filed a lawsuit against Autobyte, Inc and others. The lawsuit alleges that the defendants have infringed InsWeb s U.S. Patent No. 6,898,597, which relates to an event logging system that monitors for the occurrence of predefined website usage events.

Results of Operations

The following table sets forth selected statement of operations data with the respective percentage change from the prior year:

	Year ended December 31,	Percentage Change
2007	2006	from Prior Year