INSURE.COM, INC
Form 10-K
March 15, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2006.

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from to .

Commission File No. 000-26781

INSURE.COM, INC.

(Exact name of Registrant as specified in its charter)

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

8205 South Cass Avenue, Suite 102

Darien, Illinois 60561

(630) 515-0170

(Address, including zip code, and telephone number, including

area code, of Registrant s principal executive offices)

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

Title of Each Class
Common Stock, $.003 par value
Preferred Stock Purchase Rights

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x 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. x Yes o No

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

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer o   Accelerated Filer o   Non Accelerated Filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

Aggregate market value of the Registrant s voting stock held by non-affiliates on March 8, 2007, based on the closing price of said stock on the Nasdaq Capital Market on such date, was $9,702,337.

As of March 8, 2007, 7,301,469 shares of the Registrant s Common Stock, $.003 par value of the Registrant were outstanding.

Documents Incorporated by Reference

Portions of the Registrant s definitive proxy statement for the annual meeting of stockholders to be held on May 17, 2007, to be filed pursuant to Regulation 14(A) are incorporated by reference into Part III of this Form 10-K.

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Because we want to provide you with more meaningful and useful information, this Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have attempted to identify these forward-looking statements by using words such as may, will, expects, anticipates, believes, intends, estimates, could, or similar expressions. These forward-looking stat based on information currently available to us and are subject to a number of risks in 2007 and beyond. Actual events may differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties, and other factors include, without limitation, the following:

- our ability to achieve or sustain profitability;
- demand for life insurance;
- significant fluctuations in our quarterly results;
- our ability to develop our brand recognition;
- our number of agency contracts;
- our ability to generate revenue from the sale of Internet leads for lines of insurance other than life;
- the closing of the sale of our building in Colorado, scheduled for April 30, 2007;
- our ability to manage our growth;
- providing accurate insurance quotes;
- our ability to manage our expenses, quickly respond to changes in our marketplace and meet consumer expectations;
- the complexity of our technology and our use of new technology;
- our ability to hire and retain senior management and other qualified personnel;
- intense competition in the insurance industry;
- our ability to keep pace with technological changes and future regulations affecting our business;
- constraints of the systems we employ; and
- our ability to raise additional capital if necessary.

See the section of this Annual Report on Form 10-K entitled Risk Factors for a description of these and other risks, uncertainties, and factors.

You should not place undue reliance on any forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this annual report. Unless otherwise expressly stated, all references to we, us, our, Insure.com, and the Company refer to Insure.com, Inc. and its subsidiaries. The information contained on our Web sites, or Web sites that are linked to our Web sites, is specifically not incorporated herein by reference.

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ITEM 1. BUSINESS

Overview

We are an insurance agency and brokerage headquartered in Darien, Illinois. We own and operate a comprehensive online consumer insurance information service, accessible at www.Insure.com, which caters to the needs of self-directed insurance shoppers. Since our inception in 1984, we have been continuously developing a proprietary and comprehensive insurance price comparison and order-entry system that provides instant quotes from over 30 life insurance companies. We use this database to provide customers with a large array of comparative life insurance quotes online, over the phone or by mail, and we allow the customer to purchase insurance from the company of their choice either online or over the phone with our licensed insurance customer service staff. Our website also provides insurance information and decision-making tools, along with access to other forms of personal insurance, such as auto, homeowners, renters, long-term care, health and travel insurance through various third parties. We generate revenues from the receipt of commissions and fees paid by various sources that are tied directly to the volume of insurance sales or traffic that we produce. We conduct our insurance agency and brokerage operations using licensed agents who are compensated, in part, based on the volume of business sold and we generate prospective customer interest using traditional direct response advertising methods conducted primarily offline.

For the ten-year period ended December 31, 2006, we have spent a total of $79.5 million in direct-to-consumer advertising and have sold approximately 183,000 new policies.

Industry Background

The Traditional Insurance Market in the United States

The insurance market in the United States represents over $1 trillion in annual paid premiums. Insurance products are widely held by households and businesses. The United States insurance market is broadly divided into two categories: life and health insurance and property and casualty insurance. Over 4,000 insurance companies distribute their products through a network of agents and brokers or sell directly to consumers. There are approximately one million individuals licensed as agents and brokers to sell insurance in the United States. A variety of distribution systems have evolved, including captive one-company agents and independent agents and brokers that typically represent only two to five insurance companies.

Challenges to Purchasing and Delivering Insurance

There are numerous challenges to the informed purchase and delivery of insurance products. Some of these challenges are due to the specialized nature of insurance products and other challenges result from the way in which insurance has been traditionally distributed.

These challenges include:

- *Fragmented delivery.* Insurance products are available from captive agents, independent agents and direct distribution channels as well as new entrants, including banks and other financial institutions. Because of this fragmentation, there has been no single source of policy coverage and pricing information from which a consumer can obtain unbiased and complete information.

- *Quantity and variation of products.* Insurance policies vary by type of insurance product, underwriting guidelines, insurance company, jurisdiction and the particular characteristics and preferences of the consumer. This creates a complex pricing structure that is not readily understandable or comparable without the use of technology.

- *Information-intensive underwriting process.* The underwriting process requires consumers to submit, and insurance companies to collect, large amounts of individualized and personal information. This process is difficult, time consuming and, if not accurately completed, will delay the approval of a policy.

- *Negative consumer perception.* Consumers often believe that they paid too much for their insurance and were not properly informed by insurance agents. Face-to-face contact with an insurance agent may convey the sense of a high-pressure sales environment with a lack of unbiased information.

- *Misalignment of interests between insurance agents and consumers.* Commission-based insurance agents represent only a limited number of insurance companies. Accordingly, they are compensated to promote and sell a limited range of products, which is in direct conflict with the consumer s need to obtain insurance at the lowest price.

- *Inconvenient and time-consuming purchase.* Researching policy coverage, contacting competing insurance companies, collecting information and obtaining insurance quotes require large blocks of time usually during regular working hours. Consumers are often unable to shop for insurance on their own time and from the convenience of their own home.

Distribution of insurance through traditional agent and broker sales forces is expensive and inefficient for insurance companies. Traditional agency distribution methods have high fixed costs associated with establishing and maintaining numerous branch and local offices, high commission structures, recurring training costs and high agent turnover. In addition, insurance companies often do not target all segments of the population because of the inability to profitably serve these segments through traditional distribution channels.

Online Insurance

The growing acceptance of the Internet and electronic commerce presents a significant opportunity for the insurance industry by allowing consumers to more efficiently and effectively research and transact with insurance companies. The fragmentation of the insurance industry and the significant price and product variation has led consumers to seek alternative means of purchase and insurance companies to seek alternative means of distribution. We believe that the vast information sharing and communications power of the Internet will significantly improve the insurance industry for both consumers and insurance companies.

Characteristics of the insurance product that make it particularly well suited for delivery over the Internet include:

- insurance is an information-based product that needs no physical shipment or warehousing of merchandise;

- through a single medium, consumers can access information and compare a wide variety of insurance companies products;

- effective two-way communication flow via the Internet allows insurance companies to interact with consumers and rapidly collect underwriting information;

- enhanced convenience, privacy and control over the process of researching and purchasing insurance without the pressure of a commissioned agent; and

- ability of insurance companies to target and serve segments of the market which previously were unprofitable through traditional distribution channels by reducing the need for large sales staff and costly local offices.

Many companies are trying to address the online insurance opportunity. Some companies have created lead referral Web sites for the purpose of capturing consumer name and address information to be forwarded, as a prospective sales lead, to a specified insurance company or its traditional sales force. Many of these Web sites are paid up-front referral fees, are aligned with a limited number of insurance companies and often do not quote many of the lowest priced insurance policies. Consumers are often still required to complete their purchase through a commissioned salesperson. Additionally, these companies typically do not offer any personalized customer service or insurance fulfillment capabilities and, therefore, do not offer a complete quote-to-policy-delivery insurance solution.

Existing insurance companies and their agents and brokers have created Web sites to sell their insurance products online as an alternative to their traditional sales activities. Some companies have created Web sites with the primary purpose of creating an insurance sale online for a single insurance company or group of insurance companies with little or no comparative overview of prices. These companies perpetuate the fragmentation in the industry by not offering a comprehensive database of pricing and coverage information.

As a result of the shortcomings inherent in the online lead referral and single company approaches, we have developed a large-scale, comprehensive and unbiased Internet-based insurance service. Self-directed consumers will likely be attracted to the broadest selection of insurance companies and a compelling value proposition based upon price, time and transaction fulfillment.

The Insure.com Solution

We believe that Insure.com provides the most comprehensive Internet-based insurance service available. Our website enables consumers to obtain instant quotes from over 30 life insurance companies and provides access to quotes for several different insurance products, including health, auto and home insurance, through third parties. Customers who prefer an offline experience can receive comparative life insurance quotes from our licensed insurance professionals and can complete an insurance application over the phone. Our web site provides consumers with insurance-related information and decision-making tools. Combining the reach and efficiency of the Internet with our proprietary database and industry expertise developed over the past 20 years, we provide a complete quote-to-policy-delivery insurance solution.

We believe we have created a model that addresses the challenges faced by traditional insurance distribution methods in a manner that offers significant benefits to both consumers and insurance companies. Our model allows consumers to:

- research and become informed about insurance coverage issues;
- efficiently search for, analyze and compare insurance products;
- quickly request and obtain insurance quotes, either online or by phone; and
- easily select and purchase insurance from the insurance company of their choice.

Our solution provides the following principal advantages to both consumers and insurance companies:

Comprehensive Source of Insurance Information and Products. Using our easy-to-navigate web site, consumers can access insurance-related information and decision-making tools, as well as a library of thousands of insurance articles. Our Web site also provides insurance quotes from over 30 life insurance companies, and access to quotes from third parties for several other types of insurance including private passenger automobile, dental, individual and family medical, long-term care, disability and small group medical. We believe we offer consumers access to the largest, most complete repository of comparative information on insurance products, insurance pricing and insurance providers. We empower consumers with relevant current pricing knowledge, coverage information and independent rating information so consumers can make informed buying decisions.

Guaranteed-Accurate Instant Quotes. Over the past 20 years, we have developed what we believe to be the most complete, regularly updated database used to determine insurance quotes. This database serves both the Internet shopper as well as the customer receiving quotes over the phone from a licensed customer service representative. The ability to obtain instant quotes on the Internet is the first priority for consumers purchasing insurance online, according to a recent survey by an independent research group. We obtain and regularly update all of our pricing, underwriting and policy coverage information contained in our databases with information obtained directly from the insurance company to ensure accuracy. We offer consumers a unique $500 cash reward guarantee that we will provide an accurate quote. In addition, we also offer a $500 cash reward guarantee that we will provide the lowest price quote available with respect to term life insurance policies. We believe these Insure.com guarantees are unmatched by any competitor.

Consumer in Control. We put consumers in control of their insurance purchase decisions by providing them with the ability to efficiently search, analyze and compare prices of insurance products from multiple insurance companies in complete privacy, on their own time and free from the pressure to buy associated with traditional face-to-face sales. Consumers choose from what we believe is the largest selection of insurance companies using their own preferences regarding price and insurance company rating. Consumers are able to purchase insurance directly through us without ever speaking to a salesperson if they so choose.

Convenience. Consumers who use our services no longer need to contact different insurance companies or salespeople, one by one, in order to gather information to make educated decisions. Unlike traditional agents who only recommend and promote a limited number of insurance companies policies, we provide real time access to a large database of over 30 insurance companies products. Our comparison service presents users with a comprehensive listing of insurance quotes, ranked by price. We believe that this large array of available insurance providers in a single destination saves consumers time and effort in searching for and obtaining the most suitable coverage.

Quote to Policy Delivery Support. Consumers can purchase insurance directly through us. Unlike insurance lead referral services, at Insure.com we do not abandon the consumer once the insurance company has been selected, but continue to provide value-added support and service throughout the insurance purchase process. We facilitate this process by:

- providing a licensed agent s explanation of various pricing, coverage and independent rating information when asked;
- providing access to our licensed agents to assist consumers in completing insurance applications;
- offering applications that can be filled out online or over the phone while speaking with a licensed insurance professional; and
- arranging and monitoring the collection of outside underwriting information including paramedical examinations, laboratory reports and medical records.

Focus on Customer Service. Customer service is both our foundation and a strategic priority. We provide a high level of customer service throughout the application process and aim to eliminate consumer dissatisfaction and frustration. Our customer service staff has an average of approximately 10 years of experience in the insurance industry.

We implement our customer service objectives by:

- requiring all new employees to attend Insure.com University, a training course that teaches all of the service tasks we perform for our customers;

- monitoring call center employees to ensure prompt and consistent responses to phone, mail and e-mail inquiries;

- providing regular application status reports and Web access to our customers on a consistent basis through policy delivery; and

- offering a 30-day cancellation option on term life policies.

Licensed National Insurance Agency. Unlike traditional insurance agents who are often only licensed in one or a limited number of states, our Company and/or certain of its employees are licensed to distribute insurance throughout the United States. This allows us to process and offer insurance policies to consumers nationwide.

User Friendly System. At our web site, www.Insure.com, consumers can access our Internet-based services, research policy options and initiate purchase requests 24 hours a day, 7 days a week. Our easy to use web site is designed for fast viewing and general compatibility with all commonly used web browsers. Callers can also receive quotes, discuss policy options with our licensed insurance agents and initiate purchase requests over the telephone.

Our Strategy

Our strategy is to be the leading service for all insurance needs of individuals. The key elements of our strategy include:

Continue to Build the Insure.com Brand. We will continue to pursue a cost-effective marketing strategy designed to promote our Insure.com brand and consumer awareness of the benefits of researching and buying insurance through us.

Continue to provide the customer with the ability to receive life insurance quotes and buy either online or through a telephone based sales staff. Our website features our proprietary online application technology for most of our term life insurance offerings. While providing a very efficient and cost effective method of fulfillment, it is our belief many potential buyers are still uncomfortable buying insurance online. For that reason, we also provide a telephone-based complement to our online sales model for term life insurance.

Continue to generate revenue from the sale of non-life insurance Internet leads. Our Website attracts visitors who are interested in information about lines of insurance other than life insurance. We provide this information through our library of articles and with various insurance tools. We also provide these visitors with access to quotes for insurance other than life by directing them to the Websites of various third parties, for which we receive fee revenue.

Leverage Customer Base. We have expanded our insurance product offerings and believe there is significant opportunity to leverage our existing customer base and provide new products to them without significant customer acquisition costs. We plan to tailor our marketing efforts based on consumer profiles contained in our database of existing customers. We also believe that the content acquired in the purchase of the Insure.com Web site will continue to provide us with a permanent new customer gateway, thereby allowing us to reduce our future customer acquisition costs and our reliance on direct-to-consumer advertising as our primary source of new customers.

Strengthen and Pursue Strategic Relationships and Agreements. We believe that strategic joint ventures and licensing arrangements are attractive methods of expansion, as they will enable us to combine our expertise in Internet-based insurance offerings with other brand names, complementary services or technology. We plan to pursue additional relationships and agreements in the future. In addition, we may seek to acquire additional complementary technologies or businesses.

Continue to Focus on Customer Service. We provide insurance products and services for consumers from initial evaluation through policy delivery. In order to provide the highest level of service throughout the insurance buying process, we will monitor feedback from consumers and add new features designed to increase customer usage and loyalty.

Our Business Model

Our model enables consumers to research, shop for and purchase insurance in a manner that we believe is simpler, faster and more convenient than traditional methods. Even if the customer prefers to transact this business by phone, we can provide instant quotes from our database of over 30 life insurance companies, and our online application technology provides an efficient order entry platform. We provide a complete quote-to-policy-delivery insurance solution. Our model:

- allows consumers to *specify the desired coverage* and *indicate their personal medical conditions* to generate appropriate individualized quotes;

- allows consumers to *indicate a range of substitutability* among insurance companies and policy features for example, consumers may want to purchase insurance from a company rated A or better by A.M. Best;

- allows consumers to *choose the premium* range they are prepared to pay for the policy they want;

- allows consumers to *purchase insurance* with or without the involvement of a salesperson;

- allows us to *monitor and care* for applicants through the underwriting process and policy delivery stage; and

- allows insurance companies to *offer additional policies* within their existing pricing structures.

We employ a team approach to customer service. If a customer wishes to initiate an insurance application request or obtain information concerning an application already in process, each and every customer service representative is able to provide assistance.

Our process is comprised of four primary stages.

Initial Information Evaluation. Consumers visit our user-friendly web site or speak with a licensed insurance professional to access our comprehensive database of insurance policy price rates, underwriting guidelines, policy coverage and exclusion information, and financial stability ratings of over 30 life insurance companies. To help consumers understand the underwriting process, our web site provides information and helpful tips on how the underwriting process works.

Search, Retrieval and Comparison. Online consumers can quickly obtain a customized cost comparison report in a single search by completing a brief and anonymous questionnaire at the start of the online session. Customers who call or request a quote by mail will receive the same information. Each anonymous consumer inquiry triggers a proprietary cost search and comparison algorithm that sorts through a database of thousands of insurance options that is updated daily. The search result, delivered in seconds, is a comprehensive comparison of insurance policies ranked by the lowest price that matches the consumer s criteria. Consumers can then click to view (or callers can discuss with a licensed insurance professional):

- specific coverage details about the policy;

- exclusions and guarantees (including policy acceptance guidelines); and

- latest financial stability ratings from five independent rating services.

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Application Processing. If a consumer desires to purchase a policy, the consumer selects an insurance company and policy, and then fills out an application while online or on the phone with a licensed insurance professional. We offer online applications to accelerate the underwriting process for the most popular of the insurance companies within our term life offerings. After the consumer completes, receives via download or mail and signs the completed online application, the consumer returns the application to us. We then submit the application to the insurance company for underwriting on behalf of the consumer. We provide toll-free support during business hours to assist the consumer in completing the application.

Underwriting. During the underwriting process, we regularly track the progress of the consumer s outstanding items. We also assist the insurance company by arranging for a paramedical examination and facilitating the collection of any other outside information needed. We obtain status reports from the insurance company at least every ten days regarding the application and regularly communicate this information to the consumer. We review all policies for accuracy prior to delivery to the consumer.

If an insurance company declines to issue the policy or issues a counter offer at a higher premium, we send a letter to the consumer stating the reasons that the policy is not being issued as applied for. In this instance, we also assist the consumer in finding suitable alternative coverage whenever asked and wherever possible.

Once a policy has been issued and been paid for by the consumer, we receive a commission from the insurance company. We do not charge consumers for using our technology and do not currently sell banner advertising at our Insure.com web site.

Insurance Products

Insure.com historically offered quote and policy-related information regarding term life insurance. We now also offer instant quotes and related information on additional insurance products for both individuals and small businesses. Our current product offerings include:

- *Individual term life.* This is life insurance coverage that has no cash value and continues for a fixed period of time such as 15, 20 or 25 years. We have been offering instant quotes and delivering term life policies since 1993.

- *Private passenger automobile.* This provides collision and liability insurance to individuals for private cars and vehicles. We provide an auto insurance price comparison service using third-party technology.

- *Homeowner s.* This provides insurance against fire and other perils for personal residences. We provide this service using third-party technology.

- *Dental.* This currently includes fixed discount plans, although we have, in the past, offered traditional indemnity plans. We provide this service using third-party technology.

- *Individual and family medical.* This is also known as comprehensive major medical insurance. We provide this service using third-party technology.

- *International travel medical.* This provides medical insurance for U.S. citizens traveling abroad and for foreign citizens traveling in the United States, as well as other risks associated with international travel. We provide a multi-company international medical and travel insurance price comparison service using third-party technology.

- *Small group medical.* Small group medical insurance are those comprehensive medical plans offered to firms that employ from 2 to 100 people. We provide this service using third-party technology.

- *No-exam life.* This provides insurance for persons who want life insurance coverage without a paramedical examination. We offer instant quotes using our own, as well as third party, technology.

- *Renters Insurance.* This provides insurance against the perils of fire, theft and windstorm for renters. We provide instant quotes using third party technology.

We constantly evaluate our offerings based on a number of factors, including market acceptance and profitability. We may decide to add or delete lines of coverage at any time.

Technology

Proprietary Insurance Information Database. We maintain a proprietary database of premium rates and policy coverage information from over 30 life insurance companies. We do not rely upon state insurance departments or any other regulatory agencies to obtain any insurance pricing information. Instead, we obtain and regularly update all of the pricing, underwriting and policy coverage information contained in our databases directly from each quoted insurance company. We obtain financial stability ratings from A.M. Best, Fitch, Inc., Moody s, Standard & Poor s and Weiss Ratings, Inc. and hold licenses to distribute the copyrighted rating from each of these ratings services. Our dedicated staff of full-time market reporters regularly contacts the insurance companies quoted on our service and monitors and updates our databases as market conditions warrant. Each business day we make hundreds of changes to our insurance database.

Technology Systems. Our systems for processing quotes and purchase requests, application progress tracking, customer notification and revenue recognition are highly automated and integrated. Agents and customer service representatives equipped with online computer terminals can access a customer s account information from our database on demand. Our core technology systems use a combination of our own proprietary technologies and commercially available, licensed technologies. We have internally developed and enhanced our proprietary programs over a period of 20 years using scalable tools and platforms to allow us to rapidly expand our network and computing capacity.

An internal programming and system administration staff supports our technology. In addition to supporting the systems, our staff continually enhances our software and hardware and develops new systems and services to better service our customers and business objectives.

Server Hosting and Backup. Our Web sites are hosted by InterNap Network Services in Chicago, Illinois. This grade A telecommunications data center provides redundant communications lines to the Internet backbone, emergency power backup, and security, as well as 24-hour monitoring and engineering support. In addition, we have implemented load balancing systems and our own redundant servers to provide for fault tolerance. These redundancies permit us to perform scheduled maintenance without taking our web sites offline. Finally, tape backups are performed nightly to prevent a loss of data.

Marketing

We attract new consumers and communicate the availability of new products and services primarily through direct response marketing methods. We have established ourselves as a leading Internet-based insurance brand through an offline marketing campaign consisting primarily of magazine advertisements, radio and direct mail. We employ in-house volume media buying and other strategies to minimize the expenses of broad-based advertising. Using our proprietary information processing systems and consumer database as well as other resources, we employ statistical analyses to measure the effectiveness and efficiency of our marketing efforts.

We intend to aggressively pursue a marketing strategy designed to promote our Insure.com brand and consumer awareness of the benefits of buying insurance through us.

Our marketing strategy is to promote our brand and attract self-directed consumers to our web sites. Our marketing initiatives include:

- using direct response print advertisements placed primarily in financially oriented magazines and newspapers;
- advertising via radio, television and direct mail; and
- entering into strategic relationships with other financial services and general purpose web sites to increase our access to online consumers.

Material Strategic Relationships and Agreements

We selectively pursue strategic relationships and agreements to expand our access to online consumers, to build our brand name recognition and to expand our products and services with a variety of companies. Revenue associated with our agreements with strategic partners comprised approximately 32% of total revenue for the year ended December 31, 2006, primarily from the sale of leads for insurance other than term life.

Competition

We compete with online and traditional providers of insurance products. The market for selling insurance products over the Internet is new, rapidly evolving and intensely competitive. Current and new competitors may be able to launch new sites at a relatively low cost. There are a number of companies that either sell insurance online or provide lead referral services online.

We believe that we are the most comprehensive Internet-based insurance service because we provide consumers complete quote-to-policy-delivery insurance services, instant quotes from over 30 life insurance companies and the ability to buy online or over the phone. Our Internet-based, lead-referral competitors generally capture consumer name and address information to be forwarded, as a prospective sales lead, to a specified insurance company, without personalized customer service or fulfillment capabilities. Other Internet-based competitors have created Web sites as alternatives to their traditional sales activities and offer products from a single insurance company or a relatively small group of insurance companies with little or no comparative overview of prices. While we believe that our complete quote-to-policy-delivery service offers a more comprehensive Internet-based insurance service solution than these competitors, we nonetheless expect to face intense competition from these other types of insurance services.

We also face competition from the traditional distributors of insurance such as captive agents, independent brokers and agents and direct distributors of insurance. Insurance companies and distributors of insurance products are increasingly competing with banks, securities firms and mutual fund companies that sell insurance or alternative products to similar consumers.

We potentially face competition from unanticipated alternatives to our insurance service from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic. These potential competitors could choose to compete with us directly or indirectly through affiliations with other electronic commerce companies, including direct competitors. Other large companies with strong brand recognition, technical expertise and experience in Internet commerce could also seek to compete with us. Competition from these and other sources could harm our business, results of operations and financial condition.

We believe that the principal competitive factors in our markets are price, brand recognition, web site useability, ability to fulfill customer purchase requests, customer service, reliability of delivery, ease of use, and technical expertise and capabilities. Many of our current and potential competitors, including Internet directories and search engines and traditional insurance agents and brokers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, technical and other resources than us. Several of these competitors may be able to secure products and services on more favorable terms than we can obtain. In addition, many of these competitors may be able to devote significantly greater resources than we can for developing Web sites and systems, marketing and promotional campaigns, attracting traffic to their Web sites and attracting and retaining key employees.

Increased competition may result in reduced operating margins, loss of market share and damage to our brand. We cannot assure you that we will be able to compete successfully against current and future competitors or that competition will not harm our business, results of operations and financial condition.

Regulation

The insurance industry and the marketers of insurance products are subject to extensive regulation by state governments and by the District of Columbia. This regulation extends to the operations of insurance companies, insurance agents and to our service.

Our products are sold throughout the United States through licenses held by us and/or one of our employees, as is required by each state s insurance department. In general, state insurance laws establish supervisory agencies with broad administrative and supervisory powers to:

- grant and revoke licenses to transact business;
- impose continuing education requirements;
- regulate trade practices;
- require statutory financial statements of the insurance companies;
- approve individuals and entities to which commissions can be paid;
- monitor the activity of our non-licensed customer service representatives;
- regulate methods of transacting business and advertising; and
- approve policy forms, and regulate premium rates for some forms of insurance.

Moreover, existing state insurance regulations require that a firm, or individual within that firm, must be licensed in order to quote an insurance premium. State insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable insurance laws and regulations by insurance companies and their agents. In recent years, a number of insurance agents and the life insurance companies they represent have been the subject of regulatory proceedings and litigation relating to alleged improper life insurance pricing and sales practices. Some of these agents and insurance companies have incurred or paid substantial amounts in connection with the resolution of these matters. We do not currently sell the types of life insurance primarily cash value life insurance policies such as universal life that are the subject of these actions.

In addition, licensing laws applicable to insurance marketing activities and the receipt of commissions vary by jurisdiction and are subject to interpretation as to the application of these requirements to specific activities or transactions. We and/or many of our employees are currently licensed to sell insurance in every state and the District of Columbia. All interaction with customers is done through our licensed customer service staff. We do not permit any of our unlicensed personnel who occasionally have contact with customers to act as insurance agents. We monitor the regulatory compliance of our sales, marketing and advertising practices and the related activities of our employees. We also provide continuing education and training to our staff in an effort to ensure compliance with applicable insurance laws and regulations. However, we cannot assure you that a state insurance department will not make a determination that one or more of these activities constitute the solicitation of insurance and that personnel must be licensed. Such a determination could harm our business.

We can give you no assurance that we would be deemed to be in compliance with all applicable insurance licensing requirements and marketing regulations of each jurisdiction in which we operate. Nor can we assure you that we do not need to obtain any additional licenses.

The federal government does not directly regulate the marketing of most insurance products. However, some products, such as variable life insurance, must be registered under federal securities laws and therefore the entities selling these products must be registered with the National Association of Securities Dealers, Inc. We do not currently sell any federally regulated insurance products. If we elect to sell these federally regulated products in the future, we would be required to qualify for and obtain the required licenses and registrations. We cannot assure you that we would be able to obtain these licenses.

Further, we are subject to various federal laws and regulations affecting matters such as pensions, age and sex discrimination, financial services, securities and taxation. Congress recently passed legislation that provides for national licensing of insurance agents and brokers. The legislation provides an impetus for states to enact uniform laws and regulations governing licensing of individuals and entities authorized to sell and solicit the purchase of insurance, as well as reciprocity laws and regulations governing the licensing of non-resident individuals. This legislation and other future federal or state legislation could result in increased regulation of our business.

The future regulation of insurance sales via the Internet as a part of the new and rapidly growing electronic commerce business sector is unclear. We believe that we are currently in compliance with all current regulations. However, if additional state or federal regulations are adopted, they may have an adverse impact on us.

Employees

As of December 31, 2006, we had 108 employees. We have never had a work stoppage. Our employees are not represented by a collective bargaining unit. We consider our relations with our employees to be good. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial personnel, for whom competition is intense.

Item 1A. Risk Factors

Risks Related to Our Business

Our insurance brokerage business has not been profitable and may not become profitable in the future

Our first complete year of focusing on our Internet based insurance service was 1997. We incurred operating losses each year subsequent to 1997, through the year ended December 31, 2006. Because of our overhead structure, including the ongoing costs of employing highly-skilled technical personnel, we will need to generate higher revenues than we did in 2006 in order to achieve profitability. Even if we achieve profitability, we may not be able to maintain profitability in the future.

If the term life insurance industry declines, our business will suffer because approximately 66% of our 2006 revenues were derived from the sale of term life insurance

For the year ended December 31, 2006, approximately 66% of our revenue was derived from the sale of individual term life insurance. Because of this high concentration of revenue from one line of insurance, our current financial condition is largely dependent on the economic health of the term life insurance industry. If sales of term life insurance decline, for any reason, our business would be substantially harmed.

In addition, in recent years, term life insurance premiums have been declining. If term life insurance premiums continue to decline, it will become even more difficult for us to become profitable.

We may generate limited commission revenues because consumers can obtain free quotes and other information without purchasing insurance through our Web site

We generate commission revenues only if a consumer purchases insurance through our service. Consumers can access our Web site and obtain quotes and other information free of charge without any obligation to purchase insurance through us. Because all of the insurance policies quoted at our Web site can be purchased through sources other than us, consumers may take the quotes and other information that we provide to them and purchase one of our quoted policies from the agent or broker of their choice. If consumers only use our Web site for insurance quote information purposes, we will not generate revenues and our business would be significantly harmed.

We expect to continue to experience significant fluctuations in our quarterly results, which makes it difficult for investors to make reliable period-to-period comparisons and may contribute to volatility in our stock price

Our quarterly revenues and operating results have fluctuated widely in the past and may continue to fluctuate widely in the future. Causes of these fluctuations could or have included, among other factors:

- changes in selling and marketing expenses, as well as other operating expenses;
- the length of time it takes for an insurance company to verify that an applicant meets the specified underwriting criteria this process can be lengthy, unpredictable and subject to delays over which we have little or no control, including underwriting backlogs of the insurance company and the accuracy of information provided by the applicant; we tend to place a significant number of policies with the most price-competitive insurance companies, who, due to volume, have longer and more unpredictable underwriting time frames;
- volatility in bonus commissions paid to us by insurance companies which typically are highest in the fourth quarter;
- volatility in renewal commission income;
- the conversion and fulfillment rates of consumers applications;
- new Web sites, services and products by our competitors;
- price competition by insurance companies in the sale of insurance policies; and
- the level of Internet usage for insurance products and services.

In addition, we have a very long revenue cycle for term life insurance. The time from the date the application is requested by the customer until revenue is recorded averages over three months. As a result, substantial portions of our expenses, including selling and marketing expenses, are incurred and recorded in the financial statements well in advance of potential matching revenue generation. If revenues do not meet our expectations as a result of these selling and marketing expenses, our results of operations will be negatively affected.

Any one or more of the above-mentioned factors could harm our business and results of operations, which makes quarterly predictions difficult and often unreliable. As a result, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and not good indicators of our future performance. Due to the above-mentioned and other factors, it is possible that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock would likely decrease.

We must further develop our brand recognition in order to remain competitive

There are many other insurance brokers, insurance carriers and Web sites that offer services that are competitive with our services. Therefore, we believe that broader recognition and a favorable consumer perception of the Insure.com brand is essential to our future success. Accordingly, we intend to continue to pursue an aggressive brand-enhancement strategy consisting of advertising, online marketing, and promotional efforts. If these expenditures do not result in a sufficient increase in revenues to cover these additional selling and marketing expenses, our business, results of operations and financial condition would be harmed.

The sale of Internet leads for lines of insurance other than life insurance may not generate a material amount of revenues for us

As part of our marketing strategy, we sell Internet traffic that comes to our Web site and indicates an interest in an insurance product other than life insurance to third party Web sites and others in order to increase the realized revenue from visitors to our Web site. We generated fee revenues totaling $5.5 and $2.0 million from these sources in 2006 and 2005, respectively. Most of the agreements with these third parties permit either party to terminate the agreement with short notice. As a result, we cannot assure you that any of these relationships or agreements will be profitable or generate any material amount of revenues in the future. If our sales of non-life insurance traffic do not meet our expectations regarding revenues and earnings, our business could be harmed.

If we are unable to close the sale of our building in Colorado, our business could be harmed

We have signed an agreement to sell the building that had housed our Colorado call center, with a closing date of April 30, 2007. Located in Evergreen, Colorado, that building was acquired as part of the 2004 acquisition of certain assets of the former Life Quotes, Inc. During 2006, we recorded impairment charges of $1.8 million to reduce the carrying value of the land and building to the contract price, net of estimated closing costs, of $3.4 million as of December 31, 2006. If we are unable to close the sale of that property at a price at or above the current book value within a reasonable period of time, we may have to record additional impairment charges.

If we lose any of our key executive officers our business may suffer because we rely on their knowledge of our business

We believe that our success is significantly dependent upon the continued employment and collective skills of our executive officers, including founder and Chief Executive Officer, Robert S. Bland, and Executive Vice President and Chief Operating Officer, William V. Thoms. We maintain key man life insurance policies on Messrs. Bland and Thoms and both of these officers have entered into employment contracts with us. The loss of either of these two executives or any of our other key executive officers could harm us.

If we must pay out cash reward guarantees, our business could be harmed

We offer consumers a $500 cash reward guarantee that we provide an accurate insurance quote. In addition, we also offer a $500 cash reward guarantee that we will provide the lowest price quote available with respect to term life insurance policies. For the year ended December 31, 2004, we paid $3,500, for the year ended December 31, 2005, we paid $1,000 and for the year ended December 31, 2006 we paid $1,500 in such cash rewards. If our quotes or those of services whose technology we utilize are inaccurate and we are required to pay a material number of cash reward guarantees, it could have a negative effect on our operation results.

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

Kenneth Manley, the former owner of Life Quotes, has a non-competition agreement with us that prevents him from competing with us for up to six years. However, the agreement allows Manley to form a life insurance agency with members of his family provided that he acts only as a general agent, placing business through Insure.com as managing general agent. He is limited to being able to produce a maximum of $2 million per year in commissionable premium, subject to annual inflationary adjustments. This arrangement could result in Manley obtaining business that we might otherwise have obtained directly.

Risks Related to the Insurance Industry

Our bonus commission revenues are highly unpredictable and may cause fluctuations in our operating results

Our bonus commission revenues relate to the amount of premiums paid for new insurance policies to a single insurance company. In other words, if consumers purchase policies from a fewer number of insurance companies our bonus commissions may be higher than if the same policies were purchased from a larger number of insurance companies. The decision to purchase a policy from a particular insurance company typically relates to, among other factors, price of the policy and rating of the insurance company, both of which are factors over which we have no control. Insurance companies often change their prices in the middle of the year for competitive reasons. This may reduce the number of policies placed with that insurance company which may then reduce our potential bonus commissions. In addition, we have no control over the bonus commission rates that are set by each individual insurance company. As a result of these factors, we are unable to control the amount and timing of bonus commission revenues we receive in any particular quarter or year and these amounts may fluctuate significantly. Bonus commission revenues were $1.7 million for the year ended December 31, 2006, $2.3 million for the year ended December 31, 2005, and $2.9 million for the year ended December 31, 2004.

The insurance sales industry is intensely competitive, and if we fail to successfully compete in this industry our market share and business will be harmed

The markets for the products and services we offer are intensely competitive and characterized by rapidly changing technology, evolving regulatory requirements and changing consumer demands. We compete with traditional insurance distribution channels, including insurance agents and brokers, new non-traditional channels such as commercial banks and savings and loan associations, and a growing number of direct distributors including other online services, such as InsWeb Corporation and SelectQuote.

We also potentially face competition from a number of large online services that have expertise in developing online commerce and in facilitating a high volume of Internet traffic for or on behalf of our competitors. For instance, some of our competitors have relationships with major electronic commerce companies. Other large companies with strong brand recognition, technical expertise and experience in online commerce and direct marketing could also seek to compete in the online insurance market.

There can be no assurance that we will be able to successfully compete with any of these current or potential insurance providers.

Insurance companies that have appointed us as agents may cancel those appointments

Most of our agency contracts allow the insurance company to cancel our agency appointment at any time. Should any of the companies with which we place significant amounts of business decide to cancel our appointments, our business could be harmed.

Risks Related to Regulation

Our compliance with the strict regulatory environment applicable to the insurance industry is costly, and if we fail to comply with the numerous laws and regulations that govern the industry we could be subject to penalties

We must comply with the complex rules and regulations of each jurisdiction s insurance department which impose strict and burdensome guidelines on us regarding our operations. Compliance with these rules and regulations imposes significant costs on our business. Each jurisdiction s insurance department typically has the power, among other things, to:

- authorize how, by which personnel and under what circumstances an insurance premium can be quoted and published;
- approve which entities can be paid commissions from insurance companies;
- license insurance agents and brokers;
- monitor the activity of our non-licensed customer service representatives; and
- approve policy forms and regulate some premium rates.

Due to the complexity, periodic modification and differing statutory interpretations of these laws, we may not have always been and we may not always be in compliance with all these laws. In addition, we have at times been subject to regulatory action for failing to comply with these laws. Failure to comply with these numerous laws in the future could result in fines, additional licensing requirements or the revocation of our license in the particular jurisdiction. These penalties could significantly increase our general operating expenses and harm our business. In addition, even if the allegations in any regulatory action against us turn out to be false, negative publicity relating to any allegations could result in a loss of consumer confidence and significant damage to our brand. We believe that because many consumers and insurance companies are not yet comfortable with the concept of purchasing insurance online, the publicity relating to any such regulatory or legal issues could harm our business.

Regulation of the sale of insurance over the Internet and other electronic commerce is unsettled, and future regulations could force us to change the way we do business or make operating our business more costly

As a company involved in the sale of insurance over the Internet, we are subject to additional regulatory risk as insurance regulations have not been fully modified to cover Internet transactions. Currently, many state insurance regulators are exploring the need for specific regulation of insurance sales over the Internet. Any new regulation could dampen the growth of the Internet as a means of providing insurance services. Moreover, the laws governing general commerce on the Internet remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws such as those governing intellectual property, privacy and taxation apply to the Internet. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business over the Internet. Any new laws or regulations or new interpretations of existing laws or regulations relating to the Internet could harm our business.

If we become subject to legal liability for the information we distribute on our Web site or communicate to our customers, our business could be harmed

Our customers rely upon information we provide regarding insurance quotes, coverage, exclusions, limitations and ratings. To the extent that the information we provide is not accurate, we could be liable for damages from both consumers and insurance companies. These types of claims have been brought, sometimes successfully, against agents, online services and print publications in the past. These types of claims could be time-consuming and expensive to defend, divert management s attention, and could cause consumers to lose confidence in our service. As a result, these types of claims, whether or not successful, could harm our business, financial condition and results of operations.

Risks Related to the Internet and Electronic Commerce

Any failures of, or capacity constraints in, our systems or the systems of third parties on which we rely could reduce or limit visitors to our Web site and harm our ability to generate revenue

We use both internally developed and third-party systems to operate our service. If the number of users of our service increases substantially, we will need to significantly expand and upgrade our technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate or timing of any of these increases, or expand and upgrade our systems and infrastructure to accommodate these increases in a timely manner. Our ability to facilitate transactions successfully and provide high quality customer service also depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Our service has experienced periodic system interruptions, and it is likely that these interruptions will continue to occur from time to time. Additionally, our systems and operations are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, acts of vandalism and similar events. We may not carry sufficient business interruption insurance to compensate for losses that could occur. Any system failure that causes an interruption in service or decreases the responsiveness of our service would impair our revenue-generating capabilities, and could damage our reputation and our brand name.

Our success depends, in part, on our ability to protect our proprietary technology

We believe that our success depends, in part, on protecting our intellectual property. Other than our trademarks, most of our intellectual property consists of proprietary or confidential information that is not subject to patent or similar protection. Competitors may independently develop similar or superior products, software or business models.

We cannot guarantee that we will be able to protect our intellectual property. Unauthorized third parties may try to copy our products or business model or use our confidential information to develop competing products. Legal standards relating to the validity, enforceability and scope of protection of proprietary rights in Internet-related businesses are uncertain and still evolving. As a result, we cannot predict the future viability or value of our proprietary rights and those of other companies within the industry.

We may be subject to claims of infringement that may be costly to resolve and, if successful, could harm our business

Our business activities and products may infringe upon the proprietary rights of others. Parties may assert valid or invalid infringement claims against us. Any infringement claims and resulting litigation, should it occur, could subject us to significant liability for damages and could result in invalidation of our proprietary rights. Even if we eventually won, any resulting litigation could be time-consuming and expensive to defend and could divert our management s attention.

If we are unable to adapt to the rapid technological change in our industry, we will not remain competitive and our business will suffer

Our market is characterized by rapidly changing technologies, frequent new product and service introductions, and evolving industry standards. The recent growth of the Internet and intense competition in our industry exacerbate these market characteristics. Our future success will depend on our ability to adapt to rapidly changing technologies by continually improving the features and reliability of our database and service. We may experience difficulties that could delay or prevent the successful introduction or marketing of new products and services. In addition, new enhancements must meet the requirements of our current and prospective customers and must achieve significant market acceptance. We could also incur substantial costs if we need to modify our service or infrastructures or adapt our technology to respond to these changes.

Demand for our services may be reduced if we are unable to safeguard the security and privacy of our customer s information

A significant barrier to electronic commerce and online communications has been the need for secure transmission of confidential information over the Internet. Our ability to secure the transmission of confidential information over the Internet is essential in maintaining consumer and insurance company confidence in our service. In addition, because we handle confidential and sensitive information about our customers, any security breaches would damage our reputation and could expose us to litigation and liability. We cannot guarantee that our systems will prevent security breaches.

Our business assumes the continued dependability of the Internet infrastructure

Our success will depend upon the development and maintenance of the Internet s infrastructure to cope with its significant growth and increased traffic. This will require a reliable network backbone with the necessary speed, data capacity and security, and the timely development of complementary products, such as high-speed modems, for providing reliable Internet access and services. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure and could face outages and delays in the future. Outages and delays are likely to cause a loss of business by affecting the level of Internet usage and the processing of insurance quotes and applications requests made through our Web site. We are unlikely to make up for this loss of business.

Risks Related to the Ownership of Our Common Stock

Zions Bancorporation, together with two of our officers and directors, own a significant portion of our stock and control Insure.com and their interests may not be the same as our public stockholders

As of March 8, 2007, Robert Bland, our chairman, President and Chief Executive Officer directly or indirectly controlled 30.2% of our outstanding common stock, William Thoms, our Executive Vice President and Chief Operating Officer, directly controlled 7.8% of our outstanding common stock, and Zions Bancorporation controlled 32.4% of our common stock. As a result, if Zions and Messrs. Bland and Thoms act together, or if Zions and Mr. Bland act together, they will be able to take any of the following actions without the approval of additional public stockholders:

- elect our directors;
- amend certain provisions of our certificate of incorporation;
- approve a merger, sale of assets or other major corporate transaction;
- defeat any takeover attempt, even if it would be beneficial to our public stockholders; and
- otherwise control the outcome of all matters submitted for a stockholder vote.

If these persons act together and take any of the actions described above, the interests of our other stockholders may be harmed. For example, these persons could discourage or prevent potential mergers, takeovers or other change of control transactions that could be beneficial to our public stockholders, which could adversely affect the market price of our common stock. They may also be able to prevent or frustrate attempts to replace or remove incumbent management through their ability to elect directors.

Furthermore, they may choose to advance their own interests at the expense of other stockholders, such as by acting to entrench themselves in a management position or electing themselves as directors.

The investor rights agreement we signed with Zions contains supermajority board voting provisions that could make it more difficult for stockholders to change the policies of our Board of Directors and elect new members to our Board of Directors

So long as Zions holds 40% of the shares issued to them, the investor rights agreement we signed with Zions gives Zions the right to nominate or appoint one member of our Board of Directors. We must also receive a vote of 75% of our directors for us to:

- authorize, issue or sell any equity security (including options), other than certain specified options or pursuant to our employee stock purchase plan (of which there are presently 288,760 options available for grant under our stock option plans and 63,929 shares available for purchase under our employee stock purchase plan):

- increase the authorized number of shares of our stock;

- enter into any registration rights agreement;

- repurchase or redeem any of our securities other than on a pro rate basis;

- (i) merge, combine or consolidate with, or agree to merge, combine or consolidate with any entity, (ii) purchase, or agree to purchase all or substantially all of the securities of, any entity, or (iii) purchase, or agree to purchase, all or substantially all of the assets and properties of, or otherwise acquire, or agree to acquire, all or any portion of, any entity, in each case, for consideration in an amount, which when combined with all other such transactions in a fiscal year, exceeds $5,000,000;

- (i) merge, combine or consolidate with, or agree to merge, combine or consolidate with any entity in which it is not the surviving entity or (ii) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets;

- sell or dispose of business or assets in excess of $1,000,000;

- alter or change materially and adversely the rights of holders of our common stock;

- incur indebtedness or guarantees in excess of $2,500,000 individually or $5,000,000 in the aggregate;

- amend or proposed to amend our charter or bylaws

- liquidate, dissolve, recapitalize, or effect a stock split or reverse stock split, or obligate ourselves to do so;

- engage in any other business other than the business we are currently engaged in; or

- declare any dividends or distributions.

The supermajority provision, combined with Zions right to nominate or appoint one member of our Board of Directors, could discourage others from initiating a potential merger, takeover or another change of control transaction that could be beneficial to our public stockholders. In addition this supermajority provision could make it more difficult for stockholders to change the members and policies of the Board of Directors because any of the actions described above would require the approval of six of our seven directors. As a result, the market price of our stock could be harmed.

If Zions chooses to exercise its registration rights and sell its stock, the market price of our common stock could decrease and our ability to raise capital in the public markets may be adversely affected

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The 2,363,636 shares we issued to Zions are not registered and are restricted securities. However, the holders of these shares have registration rights under the investor rights agreement. The investor rights agreement provides both demand registration rights and piggyback registration rights to the holders of these shares. Sales of significant amounts of these shares following registration in accordance with the investor rights agreement or the perception that such sales will occur could adversely affect the market price of our common stock or our future ability to raise capital through an offering of equity securities or debt securities convertible into equity securities.

If our remaining goodwill becomes impaired, we will be required to write off some or all of it against earnings, which may negatively impact the price of our common stock

We recorded goodwill in the amount of $6.9 million as a result of our 2004 purchase of assets of Life Quotes, Inc. While goodwill is not amortized, it is subject to periodic reviews for impairment (at least annually, or more frequently if impairment indicators arise). We review goodwill for impairment periodically and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Such impairment reviews are performed at the entity level with respect to goodwill, as we have one reporting unit. Under those circumstances, if the fair value were less than the carrying amount of the entity, an indicator of impairment would exist and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings. We did take note of such indicators during the fourth quarter of 2005. These indicators included declining revenues from life insurance sales and a drop in the market price of our common stock. An impairment review was conducted as of December 31, 2005, and it was determined that an impairment existed. The determinations of impairment indicators and fair value are based on estimates and assumptions related to the amount and timing of future cash flows and future interest rates. The use of different estimates or assumptions could produce different results. As a result of this impairment determination, the Company recorded an impairment charge against earnings in the fourth quarter of 2005 amounting to $3.75 million. There were no indicators of impairment of which we took note during 2006.

During 2007, and for as long as we have goodwill on our balance sheet, we will continue to review for indicators of goodwill impairment. If it were determined that the fair value of the entity were less than the carrying amount of the entity, an additional impairment charge would be recorded. Recording such a charge would decrease earnings and could lead to a decline in the price of our common stock.

Our common stock is currently trading at low prices, which could further reduce the liquidity of the market for, and the price of our common stock

We believe that the current per share price level of the common stock has reduced the effective marketability of our shares of common stock because of the reluctance of many leading brokerage firms to recommend low-priced stock to their clients. Certain investors view low-priced stock as speculative and unattractive, although certain other investors may be attracted to low-priced stock because of the greater trading volatility sometimes associated with such securities. In addition, a variety of brokerage house policies and practices tend to discourage individual brokers within those firms from dealing in low-priced stock. Such policies and practices pertain to the payment of brokers commissions and to time-consuming procedures that function to make the handling of low-priced stocks unattractive to brokers from an economic standpoint.

In addition, because brokerage commissions on low-priced stock generally represent a higher percentage of the stock price than commissions on higher-priced stock, the current share price of the common stock can result in individual stockholders paying transaction costs (commissions, markups or markdowns) that represent a higher percentage of their total share value than would be the case if the share price were substantially higher. This factor also may limit the willingness of institutions to purchase the common stock at its current low share price.

We believe that the current price of our common stock may have a negative impact on the liquidity and price of our common stock and investors may find it more difficult to purchase or dispose of, or to obtain accurate quotations as to the market value of, our common stock.

Our stock price may have wide fluctuations and Internet-related stocks have been particularly volatile

The market price of our common stock has been highly volatile and subject to wide fluctuations. The Nasdaq stock market has experienced significant price and volume fluctuations and the market prices of securities of technology companies, particularly Internet-related companies, have been highly volatile. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate fluctuations, could adversely affect the market price of our common stock. In addition, the market prices for stocks of Internet-related and technology companies, particularly following an initial public offering, frequently reach levels that bear no relationship to the operating performance of such companies. These market prices generally are not sustainable and are subject to wide variations. If our common stock trades to unsustainably high levels, it likely will thereafter experience a material decline.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs, divert management s attention and resources, and harm our financial condition and results of operations.

Certain provisions in our charter documents and Delaware law, together with our concentration of stock ownership in a few persons, could discourage takeover attempts and lead to management entrenchment

Our certificate of incorporation and bylaws and Delaware law contain anti-takeover provisions that could have the effect of delaying or preventing changes in control that a stockholder may consider favorable. The provisions in our charter documents include the following:

- we have a classified Board of Directors with three-year staggered terms that will delay the ability of stockholders to change the membership on the Board of Directors;

- our Board of Directors has the ability to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;

- stockholder action may be taken only at a special or regular meeting; and

- we have advance notice procedures that must be complied with by stockholders for them to nominate candidates to our Board of Directors.

Our preferred stock purchase rights could cause substantial dilution to any person or group who attempts to acquire a significant interest in Insure.com without advance approval of our Board of Directors. We have amended our rights plan to exempt acquisitions of shares of our common stock by Zions from the operation of the rights plan. In addition, our executive officers have employment agreements that may entitle them to substantial payments in the event of a change of control. We entered into amendments to our employment agreements with Messrs. Bland and Thoms that exempted the issuance of stock to Zions from constituting a change of control under these employment agreements.

Furthermore, as of March 8, 2007, Messrs. Bland and Thoms, together with Zions, directly or indirectly controlled approximately 70.4% of our outstanding common stock. This high concentration of stock ownership, together with the anti-takeover measures described above, could prevent or frustrate attempts to remove or replace incumbent management, including Messrs. Bland and Thoms. These persons may act to further their interests as management rather than the interests of the public stockholders.

The foregoing could have the effect of delaying, deferring or preventing a change in control of Insure.com, discourage bids for our common stock at a premium over the market price, or harm the market price of, and the voting and other rights of the holders of, our common stock. We also are subject to Delaware laws that could have similar effects. One of these laws prohibits us from engaging in a business combination with any significant stockholder for a period of three years from the date the person became a significant stockholder unless specific conditions are met.

Continued terrorist attacks or war could lead to further economic instability and adversely affect our stock price, operations, and profitability

The terrorist attacks that occurred in the United States on September 11, 2001 caused periodic major instability in the U.S. and other financial markets. Possible further acts of terrorism and current and future war risks could have a similar impact. The United States continues to take military action against terrorism and has taken military action in Iraq. Terrorist attacks and continued hostilities in the Middle East may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may further contribute to economic instability. Any such attacks could, among other things, cause further instability in financial markets and could directly, or indirectly through reduced demand, negatively affect our facilities and operations or those of its customers or suppliers.

Item 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Our executive, administrative and operating offices are located in approximately 19,000 square feet of leased office space in Darien, Illinois under a lease that expires on December 31, 2013. We also own a 43,000 square foot office building in Evergreen, Colorado, that previously housed a call center that was closed on January 31, 2006. This building is currently under contract for sale, with an expected closing date of April 30, 2007.

ITEM 3. Legal Proceedings

From time to time we have been, and expect to continue to be, subject to legal and regulatory proceedings and claims in the ordinary course of business. Legal and regulatory proceedings and claims may include claims of alleged infringement of third party intellectual property rights, notices from state regulators that we may have violated state regulations, and litigation instituted by dissatisfied policy holders. These claims, even if without merit, could result in the significant expenditure of our financial and managerial resources. We are not aware of any such claims that we believe will, individually or in the aggregate, materially affect our business, financial condition or results of operations.

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

There were no matters submitted to a vote of our stockholders during the quarter ended December 31, 2006.

PART II

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

All common stock and per share information in this annual report have been retroactively adjusted to reflect a one-for-three reverse stock split that became effective on March 7, 2001.

Market Information. Our common stock began trading on the Nasdaq National Market under the symbol QUOT on August 3, 1999, the date of our initial public offering. Prior to this date, no established public trading market for our common equity existed. Effective the opening of business on July 20, 2001, our stock listing was transferred from the Nasdaq National Market to the Nasdaq SmallCap Market, which is now known as the Nasdaq Capital Market, retaining its existing symbol, QUOT. On January 8, 2007, the ticker symbol for our common stock was changed to NSUR. As of March 8, 2007 the approximate number of record holders of our common stock was 1,200. The last sale price of our common stock on March 8, 2007 was $4.50. The following table sets forth, for the period indicated, the high and low last sale price of our common stock as reported on the Nasdaq Capital Market, as applicable.

	High	**Low**
2006:		
First Quarter	$ 3.14	$ 2.58
Second Quarter	3.34	2.53
Third Quarter	3.35	2.50
Fourth Quarter	3.90	2.60
2005:		
First Quarter	$ 5.49	$ 4.80
Second Quarter	4.84	3.53
Third Quarter	5.42	3.31
Fourth Quarter	3.58	2.17

Dividends. We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. The investor rights agreement we have entered into with Zions Bancorporation, or Zions, prohibits us from paying cash dividends on our common stock unless certain conditions are met. We currently intend to retain all future earnings to finance the growth and development of our business. Any future determination as to the payment of dividends will be made by our board of directors and will depend on our results of operations, financial condition, capital requirements, and any other factors our board of directors considers relevant, including the restrictions contained in the investor rights agreement.

Issuer purchases of equity securities. On October 31, 2005, the Company announced that its Board of Directors had authorized the repurchase of up to 650,000 shares of its common stock. Following is information concerning the results of that program during the fourth quarter of 2006:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31, 2006	1,800	$ 2.80	1,800	624,201
November 1 through November 30, 2006	2,400	$ 3.28	4,200	621,801
December 1 through December 31, 2006	600	$ 3.56	4,800	621,201
Total	4,800	$ 3.14	4,800	621,201

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ITEM 6. Selected Financial Data.

The historical statement of operations data and balance sheet data in the table below is derived from our financial statements, which are included elsewhere in this annual report. This data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and with the financial statements, related notes, and other financial information included elsewhere in this annual report. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 17,219	$ 17,101	$ 15,910	$ 9,737	$ 10,777
Expenses:					
Selling and marketing	8,784	6,541	6,866	4,735	2,912
Operations	6,165	7,275	6,531	3,034	7,032
General and administrative	3,531	3,764	3,148	2,656	2,513
Depreciation and amortization	853	973	1,279	1,053	1,405
Impairment of land and building	1,801				
Impairment of goodwill		3,750			
Total expenses	21,134	22,303	17,824	11,478	13,862
Operating loss	(3,915)	(5,202)	(1,914)	(1,741)	(3,085)
Interest income, net	327	276	138	368	359
Realized gain (loss) on sale of securities			(45)	92	
Net loss	$ (3,588)	$ (4,926)	$ (1,821)	$ (1,281)	$ (2,726)
Basic and diluted net loss per share	$ (0.49)	$ (0.67)	$ (0.31)	$ (0.26)	$ (0.55)
Weighted average common shares and equivalents outstanding, basic and diluted	7,312	7,329	5,851	4,917	4,964

	December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
	(in thousands)				
Balance Sheet Data:					
Cash and equivalents	$ 1,300	$ 747	$ 1,356	$ 677	$ 1,640
Working capital	11,383	7,190	5,140	5,607	10,485
Total assets	20,671	24,055	28,843	17,526	19,559
Long-term liabilities					35
Total liabilities	1,348	1,441	1,228	760	1,464
Total stockholders equity	19,324	22,614	27,615	16,766	18,095

	Year Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
Selected Operating Statistics:					
Policies sold					
Term life	12,080	16,845	17,485	11,011	16,498
Health and other		315	3,236	4,845	4,753
Total policies sold	12,080	17,160	20,721	15,856	21,251

Selected Quarterly Operating Results

The following tables set forth unaudited quarterly statements of operations data for 2006 and 2005. The information for each of these quarters has been prepared on substantially the same basis as the audited financial statements included elsewhere in this annual report, and, in our opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for these periods. Historical results are not necessarily indicative of the results to be expected in the future, and results of interim periods are not necessarily indicative of results for the entire year.

	Quarter Ended Mar. 31,	**June 30,**	**Sept. 30,**	**Dec. 31,**
	(in thousands, except per share data)			
2006				
Revenues	$ 4,870	$ 3,941	$ 3,766	$ 4,642
Expenses:				
Selling and marketing	2,505	2,446	2,219	1,614
Operations	1,579	1,380	1,363	1,843
General and administrative	919	888	822	902
Depreciation and amortization	236	228	192	197
Impairment of land and building			1,321	480
Total expenses	5,239	4,942	5,917	5,036
Operating income (loss)	(369)	(1,001)	(2,151)	(394)
Interest income	81	84	84	78
Net income (loss)	$ (288)	$ (917)	$ (2,067)	$ (316)
Net income (loss) per share basic and diluted	$ (0.04)	$ (0.13)	$ (0.28)	$ (0.04)

	Quarter Ended Mar. 31,	**June 30,**	**Sept. 30,**	**Dec. 31,**
	(in thousands, except per share data)			
2005				
Revenues	$ 4,381	$ 4,737	$ 4,079	$ 3,905
Expenses:				
Selling and marketing	1,982	1,378	1,580	1,602
Operations	1,786	1,848	1,901	1,740
General and administrative	945	905	993	921
Depreciation and amortization	254	240	237	241
Impairment of goodwill				3,750
Total expenses	4,967	4,371	4,711	8,254
Operating income (loss)	(586)	366	(632)	(4,349)
Interest income	61	65	71	79
Net income (loss)	$ (525)	$ 431	$ (561)	$ (4,270)
Net income (loss) per share basic and diluted	$ (0.07)	$ 0.06	$ (0.08)	$ (0.58)

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Critical Accounting Policies

We generate revenues primarily from the receipt of commissions paid to us by insurance companies based upon the insurance policies sold to consumers through our service. These revenues come in the form of first year, bonus and renewal commissions that vary by company and product. We recognize the full first year commission revenues on term life insurance after the insurance company approves the policy and accepts the initial premium payment. At the time revenue is recognized, an allowance is recorded based on historical information for estimated commissions that will not be received due to the non-payment of installment first year premiums and any premium refunds made by the insurance carriers. We recognize commission revenue on other lines of insurance, primarily health insurance, after we receive notice that the insurance company has received payment of the related premium. First year commission revenues per policy can fluctuate due to changing premiums, commission rates, and types or amount of insurance sold. We receive bonuses based upon individual criteria set by insurance companies. We recognize bonus revenues when we receive notification from the insurance company of the bonus due to us. Bonus revenues are typically higher in the fourth quarter of our fiscal year due to the bonus system used by many life insurance companies, which pay greater amounts based upon the achievement of certain levels of annual production. Revenues for renewal commissions are recognized after we receive notice that the insurance company has received payment for a renewal premium. Renewal commission rates are significantly less than first year commission rates and may not be offered by every insurance company. We also generate revenue from the sale of leads for lines of insurance other than life insurance to third parties. Such revenues are recognized when we receive notification from those sources of the revenue due to us. Our revenue recognition accounting policy has been applied to all periods presented in this report.

The timing between when we submit a consumer s application for insurance to the insurance company and when we generate revenues has varied over time. The type of insurance product and the insurance company s backlog are the primary factors that impact the length of time between submitted applications and revenue recognition. Over the past three years, the time between application submission and revenue recognition has averaged approximately four months. Any changes in the amount of time between submitted application and revenue recognition, which will be influenced by many factors not under our control, will create fluctuations in our operating results and could affect our business, operating results and financial condition.

Operations expenses are comprised of both variable and semi-variable expenses, including wages, commissions, benefits and expenses associated with processing insurance applications and maintaining our database and web sites. The historical lag between the time an application is submitted to the insurance companies and when we recognize revenues significantly impacts our operating results as most of our variable expenses are incurred prior to application submission.

Selling and marketing expenses consist primarily of direct advertising costs. The costs of communicating the advertising are expensed in the period the advertising is communicated.

We have established the 1997 Stock Option Plan and the 2004 Non-Qualified Stock Option Plan, or the plans, to provide additional incentives to our employees, officers, and directors. Under the plans, an aggregate of 800,000 shares of Insure.com common stock may be granted to participants in the plans. In 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payments, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123 (R) supersedes APB Opinion 25 and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123 (R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

The Company adopted Statement 123 (R) on January 1, 2006, using the modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123 (R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123 (R) that remain unvested on January 1, 2006. As a result, no compensation cost was recognized in connection with stock options that vested prior to 2006. Stock compensation accounting is discussed more fully in Notes 2 and 7 to the financial statements included in this annual report.

Intangible assets acquired in 2001 in the acquisition of Insurance News Network, LLC were amortized on a straight-line basis over three years. These assets were fully amortized as of December 31, 2004.

Intangible assets acquired in 2004 in the acquisition of certain assets of Life Quotes, Inc. consist of the following:

	Intangible Asset Balance	Estimated Useful Life	Amortization Method
Insurance contract renewals	$ 3,538,000	10 years	Accelerated
Non-compete agreement	589,000	6 years	Straight line
Total	$ 4,127,000		

The fair value of insurance contract renewals was estimated based on the actual policies in force as of the acquisition date, and the renewal commission rates paid by each insurance carrier. These commissions were estimated to have a useful life of ten years, based on the terms of the contracts with the insurance carriers, and an annual lapse rate was applied to the expected renewals for each carrier based on historical trends. Amortization is on an accelerated basis, as renewal commissions will decline each year due to lapses. The ultimate realization of the value of the contract renewals is dependant on a number of factors, including actual lapse ratios, which can be affected by factors not under our control, such as death rates and the pricing level of insurance policies that could be purchased to replace the policies in the renewal stream. As a result, the actual amount realized from the contract renewals acquired may differ significantly from the estimated amount, causing impairment.

Goodwill is not subject to amortization. Allocation of intangible assets between goodwill and other intangible assets and the determination of estimated useful lives are based on valuations that we receive from independent appraisers. The calculations of these amounts are based on estimates and assumptions using historical and pro forma data and recognized valuation methods. The use of different estimates or assumptions could produce different results.

While goodwill is not amortized, it is subject to periodic reviews for impairment (at least annually, or more frequently if impairment indicators arise). We review goodwill for impairment periodically and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Such impairment reviews are performed at the entity level with respect to goodwill, as we have one reporting unit. Under those circumstances, if the fair value were less than the carrying amount of the entity, further analysis would be required to determine whether or not a loss would need to be charged against current period earnings. No indicators of impairment were noticed in our December 31, 2006 impairment review. The determination of fair value and the impairment are based on a combination of a market valuation based on a comparison with similar public companies (guideline company method) and a discounted cash flow analysis, which includes making various judgmental assumptions, including assumptions about future cash flows, growth rates and discount rates. The use of different estimates or assumptions could produce different results. During the fourth quarter of 2005, the Company experienced declining revenues from life insurance sales and a drop in the market price of its common stock. Our annual impairment review was conducted as of December 31, 2005, and it was determined that an impairment existed. As a result of this determination, the Company recorded an impairment charge against earnings in the fourth quarter of 2005 amounting to $3.75 million.

No income tax credits have been recognized relating to our tax loss carryforwards due to uncertainties relating to future taxable income.

Results of Operations

Comparison of Years Ended December 31, 2006 and 2005

Revenues

Revenues increased $118,000 or less than 1%, to $17.2 million in 2006 from $17.1 million in 2005. The components of revenue are as follows:

	Year ended December 31, 2006	2005
Revenues:		
Commissions -Life	$ 11,349,454	$ 14,456,897
Commissions-Health	372,270	614,648
Sales of non-life insurance leads	5,497,590	2,022,787
Other revenue		*6,976*
Total revenue	$ 17,219,314	$ 17,101,308

Life insurance commissions decreased $3.1 million, or 21%. Sales of life insurance by telephone decreased $3.2 million, primarily due to the closing of our Colorado call center on January 31, 2006. The call center was closed in favor of consolidating all of our call center operations in our Darien, Illinois home office. This was done to reduce the overhead expense of having a second location as well as to improve the efficiency of the call center. This resulted in a significant decrease in the number of phone agents during most of 2006, as we rebuilt the staff in Illinois under a new sales management team. As a result of this change, the number of life insurance policies sold declined to 12,080 in 2006 from 16,845 in 2005, a decrease of 28%. Commission from health insurance decreased 39% in 2006, as we discontinued brokerage sales for health insurance during the first quarter of 2005, and are now outsourcing this business to third parties. As a result, there were no new health insurance policies sold during 2006. All of the commissions result from previously-sold policies that continue in force. Fees from the sale of internet leads for lines of insurance other than life increased 172% to $5.5 million in 2006, compared to $2 million in 2005. This increase results primarily from an increase in the price received for insurance leads that we sell, along with an increase in the number of leads being sold.

Expenses

Selling and Marketing. Selling and marketing expenses increased $2.2 million, or 34%, in 2006 when compared with 2005, to a total of $8.8 million. We intentionally increased our advertising spending in 2006 in order to take advantage of the higher rates being paid for insurance leads. This resulted in higher revenue from lead sales, which helped to offset the lower life commission revenue that resulted from the closing of the Colorado call center. Selling and marketing expenses increased to 51% of revenue, compared to 38% of revenue in 2005.

Operations. Operations expenses decreased 15% to $6.2 million in 2006 from $7.3 million in 2005, primarily as a result of closing the Colorado call center, as mentioned above. We had fewer agents and less overhead as a result of having only one location after January 31, 2006.

General and Administrative. General and administrative expenses decreased 6%, or $234,000, in 2006 to a total of $3.5 million. Lower legal fees and insurance costs more than offset the new expense for stock option compensation.

Depreciation and amortization. Depreciation and amortization decreased $120,000 in 2006 when compared to 2005. Amortization costs related to the life insurance renewals acquired in 2004 declines each year in anticipation of policy lapses that will result in steadily declining revenue from these renewal contracts.

Impairment of land and building

The land and building that formerly housed our Colorado call center was placed on the market for sale. During the third quarter of 2006, the Company recognized that the potential net value that could be realized in a sale of the property was lower than the carrying value and accordingly recognized an impairment charge of $1.3 million. This determination was made based on an offer that had been received and accepted by the Company. During the fourth quarter of 2006, that offer to purchase the building was cancelled by the purchaser. In March 2007, the Company received and accepted a lower offer for the property and, accordingly, has recognized an additional impairment charge of $480,000 in the fourth quarter of 2006.

Impairment of goodwill

We recorded goodwill in the amount of $6.9 million in connection with our May 2004 acquisition of certain assets of Life Quotes, Inc. While goodwill is not amortized, it is subject to periodic reviews for impairment (at least annually, or more frequently if impairment indicators arise). As discussed earlier, the Company recorded an impairment charge against earnings in the fourth quarter of 2005 amounting to $3.75 million. There was no impairment charge in 2006.

Interest Income, Net

Interest income was $327,000 in 2006 compared to $276,000 in 2005. There was no interest expense in 2006 or 2005. Interest income increased due to higher interest rates in 2006.

In 2006, there were realized losses on the sale of securities of $559. During 2005, there were no sales of securities, so there were no realized gains or losses.

Income Taxes (Credit)

We had no income tax credit for 2006 and 2005 due to valuation allowances provided against net deferred tax assets.

Comparison of Years Ended December 31, 2005 and 2004

Revenues

Revenues increased $1.2 million, or 7%, to $17.1 million in 2005 from $15.9 million in 2004. The components of revenue are as follows:

	Year ended December 31, 2005	2004
Revenues:		
Commissions -Life	$ 14,456,897	$ 13,220,872
Commissions-Health	614,648	1,046,580
Sales of non-life insurance leads	2,022,787	1,626,179
Other revenue	6,976	16,361
Total revenue	$ 17,101,308	$ 15,909,992

Life insurance commissions increased $1.2 million, or 9%. Sales of life insurance by telephone increased $3.2 million, primarily due to the May 2004 acquisition of Life Quotes, Inc., which provided us with a phone sales capability. Sales of life insurance at our website declined $2.2 million, as we directed a significant portion of our advertising in 2005 toward supporting the phone sales center. An increase in renewal commission of $200,000 accounted for the remainder of the increase in life insurance commissions. This increase in revenue was achieved despite a drop in the number of life insurance policies sold to 16,845 in 2005 from 17,485 in 2004, a decrease of 4%, as our average total commission per policy sold increased. Commissions from health insurance decreased 41% in 2005, as we discontinued brokerage sales for health insurance during the first quarter of 2005, and are now outsourcing this business to third parties. As a result, total health insurance policies sold decreased 90% to 315 in 2005 from 3,236 in 2004. Fees from the sale of internet leads for lines of insurance other than life increased 24% to $2 million in 2005, resulting from higher revenue from the sale of auto insurance traffic as well as new revenue from the sale of health insurance traffic.

Expenses

Selling and Marketing. Selling and marketing expenses decreased $325,000, or 5%, in 2005 when compared with 2004, to a total of $6.5 million. We intentionally decreased our advertising spending during the second and third quarters of 2005, as we found that we were generating more telephone leads than our agents could efficiently handle. Selling and marketing expenses have dropped to 38% of revenue in 2005, compared with 43% of revenue in 2004.

Operations. Operations expenses increased 11% to $7.3 million in 2005 from $6.5 million in 2004. The 2005 expenses include a full year of operating the Life Quotes division, while 2004 expenses only include that operation subsequent to the May 2004 acquisition.

General and Administrative. General and administrative expenses increased 20%, or $617,000, in 2005 to a total of $3.8 million. Increases in legal and accounting fees, as well as higher insurance costs and an increase in property taxes resulting from owning the Life Quotes building for a full year in 2005 accounted for this increase.

Depreciation and amortization. Depreciation and amortization decreased $306,000 in 2005 when compared to 2004. Full year depreciation on the Life Quotes building and fixed assets, along with amortization of intangibles acquired in the Life Quotes acquisition, resulted in an increase of $240,000 in this category. However, results for 2004 included amortization charges of $438,000 related to intangible assets acquired in the 2001 acquisition of selected assets of Insurance News Network. Those intangible assets were fully amortized in 2004, so there were no similar charges in 2005.

Impairment of goodwill

We recorded goodwill in the amount of $6.9 million in connection with our May 2004 acquisition of certain assets of Life Quotes, Inc. While goodwill is not amortized, it is subject to periodic reviews for impairment (at least annually, or more frequently if impairment indicators arise). As discussed earlier, the Company recorded an impairment charge against earnings in the fourth quarter of 2005 amounting to $3.75 million.

Interest Income, Net

Interest income, net was $276,000 in 2005 compared to $138,000 in 2004. The components of interest income are as follows:

	Years ended December 31, 2005	2004
Interest income	$ 276,001	$ 218,968
Interest expense		(80,765)
Interest income, net	$ 276,001	$ 138,203

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Interest income increased due to a larger average portfolio of invested assets and higher interest rates in 2005. There was no debt in 2005.

During 2005, there were no sales of securities, so there were no realized gains or losses. In 2004, there were realized losses of $45,000.

Income Taxes (Credit)

We had no income tax credit for 2005 and 2004 due to valuation allowances provided against net deferred tax assets.

Liquidity and Capital Resources

We currently expect that our cash and fixed maturity investments of $8.2 million at December 31, 2006 will be sufficient to meet our anticipated cash requirements for at least the next 12 months. The timing and amounts of our working capital expenditures are difficult to predict, and if they vary materially, we may require additional financing. If we require additional equity financing, it may be dilutive to our stockholders and the equity securities issued in a subsequent offering may have rights or privileges senior to our common stock. If debt financing is available, it may require additional restrictive covenants with respect to dividends, raising capital and other financial and operational matters, which could impact or restrict our operations. If we cannot obtain adequate financing on acceptable terms, we may be required to reduce the scope of our marketing or operations, which could harm our business, results of operations and our financial condition.

Our sources of funds will consist primarily of commissions generated from the sale of life insurance products, fee revenue from the sale of leads for other lines of insurance, investment income, and maturity proceeds from our fixed maturity portfolio. The principal uses of funds are selling and marketing expenses, operations, general and administrative expenses, and acquisitions of furniture, equipment and software.

Cash used by operating activities was approximately $814,000 in 2006, while cash provided by operating activities was approximately $171,000 in 2005 and $503,000 in 2004, as shown in our statements of cash flows included elsewhere in this annual report. The decrease in cash flow in 2006, compared to the amounts provided in 2005 and 2004, was primarily the result of an increase in the net loss after adjustment for non-cash expenses, such as depreciation, amortization and impairment charges.

Cash provided by investment activities in 2006 totaled $1.4 million, and resulted from the proceeds of investment maturities and sales exceeding the amount reinvested. Cash used for investing activities in 2005 totaled $759,000, consisting of the purchase of fixed income investments in excess of investment maturities of $503,000, and the purchase of fixed assets of $256,000. Cash used for investing activities in 2004 totaled $12.5 million, consisting primarily of the acquisition of Life Quotes. Fixed maturity securities were sold, generating $11.9 million, to help fund the $18.7 million acquisition. The purchase of securities in excess of maturities used $5.5 million of cash.

Cash used for financing activities in 2006 and 2005 totaled $63,000 and $21,000, respectively, and consisted of the repurchase of shares of our common stock. Cash provided by financing activities in 2004 totaled $12.7 million, consisting primarily of the sale of common stock to fund the Life Quotes acquisition. The Company also borrowed and later repaid $6.5 million in connection with the acquisition.

Cash Flow Obligations

In the normal course of business, we enter into financing transactions, lease agreements, or other commitments. These commitments may obligate us to certain cash flows during future periods. The following table summarizes such obligations as of December 31, 2006.

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt obligations	$	$	$	$	$
Capital lease obligations					
Operating lease obligations	2,027,255	193,632	506,068	644,228	683,327
Purchase obligations					

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain a portfolio of cash and equivalents and investments in a variety of marketable securities, including both government and corporate obligations.

Substantially all of our investments are subject to interest rate risk. We consider all of our investments as available-for-sale. As of December 31, 2006, there were net unrealized losses of $83,538 on those investments. There were net unrealized losses on those investments totaling $198,098 at December 31, 2005.

We did not hold any derivative financial instruments as of December 31, 2006, and have never held such instruments in the past. Additionally, all our transactions have been denoted in U.S. currency and do not have any risk associated with foreign currency transactions.

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

Item 8. Financial Statements and Supplementary Data

The financial statements are indexed in the Index to Financial Statements, which appear on Pages F-1 through F-17 hereof, and are incorporated in this Item by reference thereto.

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

Not applicable.

Item 9A. Controls and Procedures

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures as of December 31, 2006. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of December 31, 2006 in ensuring that all material information required to be filed in this annual report have been made known to them in a timely fashion. There were no changes in the Company s internal control over financial reporting during the fourth quarter of 2006 that have materially affected or are reasonably likely to materially affect the Company s internal controls over financial reporting.

Item 9B. Other Information

Not applicable

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The sections entitled Management and Section 16(a) Beneficial Ownership Reporting Compliance are incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2007 annual meeting of stockholders scheduled for May 17, 2007.

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

Name	Age	Position
Robert S. Bland	53	Chairman of the Board, President and Chief Executive Officer
William V. Thoms	54	Executive Vice President, Chief Operating Officer
Phillip A. Perillo	57	Senior Vice President, Chief Financial Officer
Richard C. Claahsen	42	Vice President, Corporate Secretary

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

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

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

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

Code of Ethics

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

Item 11. Executive Compensation

The sections entitled Executive Compensation, excluding the Compensation Committee Report and the stock price performance graph, Management Director Compensation and Management Compensation Committee Interlocks and Insider Participation are incorporated herein by reference from

our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2007 annual meeting of stockholders scheduled for May 17, 2007.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The section entitled Principal Shareholders is incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2007 annual meeting of stockholders scheduled for May 17, 2007.

The following table sets forth the following information as of December 31, 2006: (i) the number of shares of our common stock to be issued upon the exercise of outstanding options, warrants and rights, (ii) the weighted-average exercise price of such options, warrants and rights and (iii) the number of shares of our common stock remaining available for future issuance under our equity compensation plans, other than the outstanding options, warrants and rights described above.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	380,561	$ 6.77	338,760
Equity compensation plans not approved by security holders			
Total	380,561	$ 6.77	338,760

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

Item 13. Certain Relationships and Related Transactions, and Director Independence

The section entitled Certain Relationships and Related Transactions is incorporated herein by reference from our proxy statement to be filed with the Securities and Exchange Commission in connection with our 2007 annual meeting of stockholders scheduled for May 17, 2007.

Item 14. Principal Accounting Fees and Services

Audit Fees

The aggregate fees for each of the last two fiscal years for professional services rendered by Ernst & Young LLP for the audit of our annual financial statements and review of financial statements included in our Forms 10-Q were $259,000 in 2006 and $283,000 in 2005.

Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by Ernst & Young LLP that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under the caption Audit Fees were $0 in 2006 and $0 in 2005.

Tax Fees

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

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by Ernst & Young LLP, other than the services reported above, were $1,500 in 2006 and $1,500 in 2005. The fees were for use of the Ernst & Young online service.

Pre-Approval Policies and Procedures

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

All of the above services for 2006 were approved in advance by our Audit Committee, as required by the Audit Committee Charter.

PART IV

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

(a) 1. Financial Statements:

The financial statements, which appear on Pages F-1 through F-16 hereof, are indexed in the Index to Financial Statements and are incorporated herein by reference in this Item by reference thereto.

2. Financial Statement Schedules:

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

3. Executive Compensation Plans and Arrangements.

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

Quotesmith.com 1997 Stock Option Plan (as amended and restated March 29, 1999).

Quotesmith.com 1999 Employee Stock Purchase Plan.

Quotesmith.com 2004 Stock Option Plan.

Employment Agreement between the Company and Robert S. Bland, as amended.

Employment Agreement between the Company and William V. Thoms, as amended.

Employment Agreement between the Company and Phillip A. Perillo.

Form of Director Indemnification Agreement

See Exhibit Index (immediately following the signature pages) for exhibits filed with this annual report.

(b) Exhibits

See Exhibits Index (immediately following the signature pages).

(c) Schedules

All required schedules are included.

INSURE.COM, INC

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Insure.com, Inc.

We have audited the accompanying balance sheets of Insure.com, Inc. as of December 31, 2006 and 2005, and the related statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, in 2006 the Company changed its method of accounting for stock based compensation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insure.com, Inc. at December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
March 15, 2007

INSURE.COM, INC.

BALANCE SHEETS

	December 31, 2006	2005
ASSETS		
Cash and equivalents	$ 1,300,243	$ 746,708
Fixed maturity investments available for sale at fair value *(Note 3)*	4,990,563	4,937,040
Commissions receivable, less allowances (2006 $331,000; 2005 $435,000)	2,599,520	2,599,937
Land and building, held for sale *(Note 8)*	3,446,000	
Other assets	393,882	348,205
Total current assets	12,730,208	8,631,890
Fixed maturity investments available for sale at fair value *(Note 3)*	1,949,970	3,425,145
Land		830,000
Building, less accumulated depreciation (2005 $195,000)		4,475,417
Furniture, equipment, and computer software at cost, less accumulated depreciation (2006 $3,578,000; 2005 $3,445,000)	333,853	481,424
Intangible assets at cost, less accumulated amortization (2006 $1,587,000; 2005 $1,033,000) *(Note 2)*	2,539,564	3,093,959
Goodwill *(Notes 2 and 5)*	3,117,470	3,117,470
Total assets	$ 20,671,065	$ 24,055,305
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable and accrued liabilities current	$ 1,347,519	