INSWEB CORP
Form 10-K
March 31, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549

FORM 10-K

(Mark One)

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2008

or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from to

Commission File Number 0-26083

INSWEB CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

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

Title of each class	Name of Exchange on which registered

None None

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

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

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

Large Accelerated Filer o Accelerated Filer o

Non-Accelerated Filer o Smaller Reporting Company x

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

The aggregate market value of registrant's voting and non-voting common equity held by non-affiliates of registrant, based upon the closing sale price of the common stock as of the last business day of registrant's most recently completed second fiscal quarter (June 30, 2008), as reported on the Nasdaq Global Market, was approximately $18,106,000. Registrant is a smaller reporting company as defined in Regulation S-K. Shares of common stock held by each officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Outstanding shares of registrant's common stock, $0.001 par value, as of March 16, 2009: 4,791,394

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the definitive Proxy Statement for registrant's 2008 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report are incorporated by reference into Part III of this Form 10-K Report.

INSWEB CORPORATION

Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2008

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PART I

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

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

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

Item 1. Business.

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

The InsWeb Online Insurance Marketplace

InsWeb operates an online insurance marketplace that electronically matches consumers and providers of automobile, homeowners and term life insurance. InsWeb has combined extensive knowledge of the insurance industry, technological expertise and close relationships with a number of insurance companies, agents and other providers to develop an integrated online marketplace. InsWeb’s marketplace enables consumers to research insurance-related topics, search for, analyze and compare insurance products, and apply for and receive quotes for coverage for automobile, homeowners and term life insurance. Management believes that InsWeb provides insurance providers with pre-qualified consumers at attractive acquisition costs, with the scalable, cost-efficient distribution capabilities of InsWeb’s Internet-based model.

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

The Quote Generation and Purchase Process

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

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

Data Entry. To complete a shopping session, a consumer fills out an online form that requests information such as the consumer's age, address and coverage requirements, a process that InsWeb estimates takes approximately 10 minutes, depending on the type of insurance sought and the complexity of the consumer's profile. The quote form captures a comprehensive set of information designed to address basic underwriting and rating criteria. To assist consumers in evaluating and fulfilling their insurance needs, InsWeb provides consumers with a variety of interactive website features and insurance-related information. In addition, InsWeb provides online help and customer service throughout the data entry process. The consumer completes only one online form for a particular type of insurance, but may receive quotes from multiple participating companies depending on which companies have qualified that consumer. This information can also be used to automatically complete portions of the quote form for other insurance products. Because the information insurance companies use to underwrite, rate and provide quotes to a consumer is entered directly by the consumer, the insurance companies can reduce or eliminate the expense associated with collecting consumer data. Moreover, information entered directly by consumers typically contains fewer errors than information provided orally to an agent or insurance company representative, who must then enter that information manually into the insurance company's system.

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

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

Delivery of Leads. InsWeb earns revenues from participating insurance providers based on the delivery of qualified leads. With auto insurance providers (including insurance companies, third-party local agent networks and InsWeb's AgentInsider network, which provides leads directly to local personal lines insurance agents), InsWeb usually is paid a transaction fee based on the delivery of a lead, whether or not the consumer actually purchases a policy. For auto

and home insurance coverage, qualified leads are produced when a consumer clicks to view insurance company quotes. These leads are produced both for insurance companies providing instant online quotes and for insurance companies and local insurance agents who provide email or other offline quotes. For term life insurance coverage, until April 2007, consumer leads were sent to InsWeb's licensed subsidiary, InsWeb Insurance Services, Inc., which earned a commission when a policy is sold. Since April 2007, with the winding down of the term-life agency, leads are sent to insurance agents and third party providers of fulfillment services.

Purchase of Policy. After InsWeb generates and delivers a qualified lead, insurance providers may respond directly to the interested consumer by e-mail or telephone to close the purchase of the policy. The delivery of a qualified lead to the insurance company or local agent does not require further involvement by InsWeb, although InsWeb monitors insurance company responses and works with companies and agents to ensure that they are responding to leads generated from the online insurance marketplace in a timely fashion.

Interactive Website Features and Information

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

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

Insurance Products

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

Automobile Insurance. Automobile insurance comprises the largest segment of the consumer insurance market, and, to date, has accounted for most of the consumer traffic on InsWeb's online marketplace, and a majority of its revenues. At December 31, 2008, InsWeb's online marketplace generated leads or clickthroughs to insurance providers in all 50 states, plus the District of Columbia.

Homeowners' Insurance. At December 31, 2008, the InsWeb online marketplace generated leads for homeowners' insurance to providers in all 50 states, plus the District of Columbia.

Term life Insurance. At December 31, 2008, the InsWeb online marketplace generated leads for term life insurance to providers in all 50 states, plus the District of Columbia.

Agent Directory. At December 31, 2008, the InsWeb online marketplace offered both subscription and display advertising on its agent directory pages. These pages display listings of several insurance companies and not more than eight local agents for the consumer to contact.

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

Insurance Company Relationships

InsWeb believes that establishing long-term relationships with reputable insurance companies is essential to its ability to offer a desirable insurance marketplace on its website. InsWeb's focus is to maintain and expand the product offerings available on the online marketplace by selling InsWeb's services to additional companies and expanding InsWeb's relationship with participating insurance companies and agencies. At December 31, 2008, InsWeb had relationships with 29 insurance companies for automobile, homeowners and term life insurance, including many large companies with established brand names that InsWeb believes are attractive to consumers.

Insurance Agent Network

In 2004, InsWeb launched its agent network program, which provides online auto and homeowners' insurance consumers direct access to insurance agencies. Prior to September 2005, direct consumer access to such agencies was possible only through an intermediary, NetQuote, Inc. With the launch of InsWeb's proprietary agent network offering ("AgentInsider") in September 2005, InsWeb began selling leads directly to insurance agents. Through the AgentInsider platform, agents can bid for participation in InsWeb's marketplace and receive leads for automobile, homeowners' and term life insurance. In addition, InsWeb has entered into agreements with several large insurance companies to allow their agents to participate in AgentInsider without bidding. Whether the lead is obtained by the agent through bidding or participating through a sponsoring insurance company, InsWeb is paid a fee for each consumer lead sent to an agent, regardless of whether or not a policy is sold to the applicant. As of December 31, 2008, there are approximately 7,400 personal lines insurance agents who were approved to actively purchase consumer leads through AgentInsider. For the year ended, December 31, 2008, Agent Insider, represented 25% of auto, homeowners' and term life transaction fees. Separately, certain carriers purchase leads from InsWeb and redistribute them to their agents. At December 31, 2008, approximately 3,500 such agents were indirectly accessible to consumers. Consumer leads for which InsWeb has a limited offering continue to be distributed on a revenue share basis to third-party intermediaries, including NetQuote.

Marketing and Sales

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

Consumer Marketing

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

companies that can drive significant traffic to its site, and sponsored search. In addition, InsWeb operates a number of complimentary websites, including LowestPolicy.com and InsuranceRates.com, which provide consumers with a variety of free interactive tools and content to begin their research for insurance coverage.

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

Online Relationships. InsWeb seeks out relationships with companies whose websites feature a high volume of traffic or a substantive focus that is related to the purchase of insurance coverage, such as sites related to automobiles, homes or personal finances. Agreements with these online companies typically provide that InsWeb pay the online company a transaction fee (based on click-throughs or consumer leads) and in very limited cases, a fixed fee. Online companies integrate links into their websites connecting to InsWeb's marketplace. InsWeb provides functionality to further integrate with online companies and, in some cases, provides co-branding functionality whereby the online company's logo is presented on the InsWeb marketplace to those consumers directed to InsWeb's marketplace from a company's site. Finally, InsWeb has relationships with a number of companies that offer insurance shopping functionality to consumers. InsWeb's relationship with these companies allows consumers who complete the online insurance questionnaire on the other company's website to be transferred to InsWeb to be presented with additional insurance providers. Many of InsWeb's online advertising and marketing agreements have a 30 to 90 day term, with either party having a right to terminate the agreement on seven days notice or less.

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

Local Insurance Agent Marketing and Acquisition

InsWeb's local agent sales and marketing efforts seek to identify, through direct mail, email and telephone solicitation, referrals from other local agents and general advertising, personal lines insurance agents interested in participating in the AgentInsider program. In addition, sales efforts are directed toward securing carrier assistance, either through sponsored agreements, whereby insurance carriers promote and market the AgentInsider program to their participating local agents, or simply by inviting InsWeb sales personnel to agent gatherings. At December 31, 2008, InsWeb had four major insurance carriers who have contracted to promote or sponsor AgentInsider for their local agents.

Technology

Architecture and Interfaces

InsWeb has invested significant resources to develop and deploy its two proprietary technology platforms: the original, consumer-facing platform, and the newer AgentInsider platform. InsWeb believes these platforms constitute a significant competitive advantage.

InsWeb's software architecture facilitates interoperability among software components to maximize responsiveness, flexibility and reliability. This architecture enables InsWeb to efficiently develop and deploy new insurance company-specific modules for underwriting and data delivery. It also simplifies the process of providing InsWeb's core marketplace functionality for use on insurance company sites. In order to speed implementation for each participating insurance company, InsWeb has developed transmission software components which allow consumer

data to be custom-formatted for delivery to each insurance company based on the requirements of the insurance company's computer system. InsWeb has developed custom communication software to provide multiple types of real-time telecommunication links to its participating insurance companies. These components provide a variety of solutions to the insurance companies to best meet their needs and interface with their legacy systems. InsWeb has devoted significant time and resources to maximize the efficiency of integrating new insurance companies into its online marketplace and to create a flexible, customizable Web interface.

InsWeb's front-end user interface is accessible to consumers via standard Web browsers and is designed without unnecessary graphics that would increase download time.

InsWeb's AgentInsider platform, launched in September 2005, powers a self-service web site which allows agents to manage their accounts entirely online, including registration, the choice of zip codes in which the agent wishes to receive leads, the number of leads they wish to receive, their bids for different types of leads, and finally the financial end of the transaction, namely the entry and automatic processing of their credit card information. This platform enables InsWeb to transact with thousands of agents with only a handful of customer service representatives.

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

Security

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

Site Operations

InsWeb's hardware servers, storage systems, Internet connections, back-up strategies and network are designed to allow its online marketplace to operate continuously. InsWeb's main Web servers are located at its headquarters facility in Gold River, California. InsWeb uses a number of internally-developed and third-party software products to monitor the performance and availability of its website and core products. InsWeb continuously monitors consumer traffic, response times and capacity to ensure a high quality of service for consumers and insurance companies. InsWeb maintains a disaster recovery site in the Sacramento, California area to facilitate the operation of its online marketplace in case of a failure at its main facility.

Product Development

InsWeb devotes resources to improving the structure of its products and delivering additional tools that allow insurance providers to effectively reach consumers. InsWeb continually releases new versions of its online user interface , which may incorporate technology advances, new product features and improvements in consumer interactivity. InsWeb also invests in refining its online consumer tools and research materials, as well as developing new support products. InsWeb continues to research new methods of designing more useful insurance-related material and presenting it to the consumer in a more meaningful context.

InsWeb's technology expenses were approximately $3.3 million in 2008, $3.1 million in 2007, and $4.5 million in 2006.

Privacy Policy

InsWeb believes that the privacy of personally identifiable information of Internet users is becoming increasingly important as the use of the Internet for electronic commerce continues to grow. InsWeb has adopted a privacy policy regarding the use and disclosure of consumer information that is collected on its online marketplace. InsWeb is a licensee of the TRUSTe Privacy Program and adheres to these standards regarding the protection of the personally identifiable information of Internet users.

Competition

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

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

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

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

Government Regulation

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

In order to provide the types of services that require an insurance license, InsWeb established InsWeb Insurance Services, Inc. in 1998 and currently maintains property and casualty licenses in 50 states and the District of Columbia and life and health licenses in 45 states and the District of Columbia. InsWeb's operations depend on the validity of and continued good standing under the licenses and approvals pursuant to which InsWeb's subsidiaries, licensed officers and agents operate. Licensing laws and regulations vary depending on the jurisdiction. The applicable licensing laws and regulations are subject to amendment or interpretation by regulatory authorities. Such authorities generally are vested with broad discretion concerning the allowance, renewal and revocation of licenses and approvals. The inability to obtain the requisite agent licenses or other necessary licenses, permits, or authorizations could harm InsWeb's business.

Intellectual Property

InsWeb regards its intellectual property as critical to its success, and relies upon patent, trademark, copyright and trade secrets laws in the United States and other jurisdictions to protect its proprietary rights. The INSWEB mark has been registered in the United States, France, Germany, South Korea, Japan and the United Kingdom, and many other countries. Other U.S. and worldwide trademark applications and registrations include, but are not limited to, AgentInsider, AgentInsider.com, InsWeb.com, Where You and Your Insurance Really Click, and Lower Your Insurance Costs, Not Your Expectations. InsWeb has applied for various patents on its core technology and related patentable subject matter; and three patents have been issued: U.S. Patent No. 6,898,597 (Event Log); U.S. Patent No. 7,107, 325 (System and method for optimizing and processing electronic pages in multiple languages); U.S Patent No. 7,389,246 (Insurance rating calculation software component architecture). InsWeb's pending trademark registrations and patent applications may not be approved or granted; or, if granted, may be successfully challenged by others or invalidated through administrative process or litigation. In addition, effective patent, copyright, trademark, and trade secret protection may be unavailable or limited in some foreign countries. InsWeb also seeks to protect its proprietary rights through physical and technological security measures, and through the use of confidentiality or license agreements with its business partners, employees, consultants, advisors and others. Despite InsWeb's efforts to protect its proprietary rights from unauthorized use or disclosure, employees, consultants, advisors or others may not maintain the confidentiality of InsWeb's proprietary information, and this proprietary information may otherwise become known, or be independently developed, by competitors. The steps InsWeb has taken may not prevent misappropriation of its proprietary rights, particularly in foreign countries where laws or law enforcement practices may not protect its proprietary rights as fully as in the United States.

InsWeb licenses its trademarks and similar proprietary rights to third parties. While InsWeb attempts to ensure that the quality of its brand and product offering is maintained by these companies, they may nevertheless misuse the licensed intellectual property in ways that lessen the value of InsWeb's proprietary rights or the reputation of InsWeb or its services.

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

infringement claims in the ordinary course of its business, including the patent infringement claims described in the section titled “Legal Proceedings” and other claims of alleged infringement of the trademark rights of third parties by InsWeb and the companies with which it does business. Any of these claims, with or without merit, could be time consuming to defend, result in costly litigation, divert management attention and resources or require InsWeb to enter into royalty or licensing agreements. Licenses may not be available on reasonable terms, if at all, and the assertion or prosecution of any infringement claims could significantly harm InsWeb’s business.

Employees

As of December 31, 2008, InsWeb had 88 full-time employees. InsWeb has never had a work stoppage, and none of its employees are currently represented under collective bargaining agreements. InsWeb considers its relations with its employees to be good. InsWeb believes that its future success will depend in part on the continued service of its senior management and key technical personnel and its ability to attract, integrate, retain and motivate highly qualified technical and managerial personnel. Competition for qualified personnel in InsWeb’s industry and geographical location is intense. InsWeb may not continue to be successful in attracting and retaining a sufficient number of qualified personnel to conduct its business in the future.

We have no long-term employment agreements with any of our key personnel. However, the executive officers and certain other key members of management are eligible to participate in the InsWeb Executive Retention and Severance Plan (the “Plan”) approved by the Board of Directors on June 14, 2004 and revised on December 22, 2008. Participants in the Plan are entitled to receive cash severance payments and health and medical benefits in the event their employment is terminated in connection with a change in control. Participants will also receive these benefits if InsWeb terminates their employment other than for “cause” or if the participant voluntarily terminates his employment for “good reason” following certain specified actions by InsWeb. Upon any other termination of employment, the participant will be entitled only to accrued salary through the date of termination and any other vested benefits. Benefits under the plan are reduced or eliminated if the employee obtains substitute employment.

Available Information

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

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

Item 1A. Risk Factors.

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

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

We incurred operating losses of $2.5 million in 2008, generated operating income of $2.1 million in 2007 and incurred a $5.8 million operating loss in 2006. As of December 31, 2008, our accumulated deficit was $191.7 million. Our operating results for future periods are subject to numerous uncertainties, and we may not generate sufficient revenues to achieve or maintain profitability on a quarterly or annual basis. If we are unable to sustain profitability, we may need to seek additional financing to continue our business operations. Such financing could be on terms that are dilutive to our existing stockholders or could involve the issuance of securities that have rights and preferences that are senior to those associated with our common stock. Moreover, if such financing were not available or were available only upon terms that were unacceptable to us, we could be required to delay, reduce, or cease certain of our operations, any of which could materially harm our business and financial results.

Depressed general economic conditions or further adverse changes in general economic conditions could adversely affect our operating results

The recent, severe economic downturn in the United States has impacted the financial services sector of which our customers (insurance companies and their agents) are a part. As a result of this downturn, insurance companies may choose to scale back the number of policies they write as they file new rates with the state insurance regulators. Similarly, many agents who purchase leads from us operate as a small business, and as such may be less prepared to withstand an extended period of recession. In addition, consumer demand for our insurance shopping service is adversely impacted by the current economic climate because fewer consumers are shopping for cars and homes. Accordingly, the uncertainty about the impact of economic conditions on our business makes it difficult for us to forecast operating results and to make decisions about future investments.

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

While we were profitable for 2007, our operating activities in 2008 and prior to 2007, have consumed substantial amounts of cash, cash equivalents and short-term investments: during 2008 our operations used cash of $0.8 million; in 2007 our operations provided cash of $2.5 million; and in 2006 our operations used cash of $3.6 million. At December 31, 2008, we had cash and cash equivalents of $9.2 million. In order to remain competitive, we must continue to make investments essential to our ability to operate, including in particular, investments in direct consumer marketing. In addition, we will continue to face the costs of being a public company. In the event that we are unable to generate revenues sufficient to offset our costs, or if our costs of marketing and operations are greater than we anticipate, we may be unable to grow our business at the rate desired or may be required to delay, reduce, or cease certain of our operations, any of which could materially harm our business and financial results.

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

An evaluation of our future prospects is very difficult. An investor in our common stock must consider the possibility that we may not be able to successfully address the uncertainties inherent in a relatively new and rapidly evolving business model. Moreover, due to recent changes in our business model, including the evolution of InsWeb's agent network program, InsWeb believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as an indication of future performance.

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

- We may experience consumer dissatisfaction with our online marketplace as we add or change features, or as the insurance coverage offered by participating insurance companies varies;

- We may experience increases in our direct marketing expenses due to unanticipated increases in the cost of online advertising for insurance;

- Consumer traffic may also fluctuate as a result of changes in level of advertising by entities with which we have insurance marketing relationships;

- Our revenues may be harmed if we lose one or more significant insurance company relationships or if any of our participating insurance companies merge with one another;

- Our revenues may be harmed by inadequate levels of participation by local personal lines insurance agents in our agent network initiative, if the agent network programs offered by third-party intermediaries are unsuccessful or discontinued and we are unsuccessful in securing a replacement;

- Use of the Internet by consumers may fluctuate due to seasonal factors or other uncontrollable factors affecting consumer behavior;

- Our ability to convert site visits into transaction fees and/or revenue from insurance agency activities may fluctuate due to changes in our user interface or other features on our site; and

- Our ability to generate transaction fees and/or revenue from insurance agency activities may also be harmed due to technical difficulties on our website that hamper a consumer's ability to start or complete a shopping session.

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

We have experienced seasonality in our business associated with general slowness in the insurance industry during the year-end holiday period. In addition, online advertising for insurance products becomes more expensive during the holiday period as internet portals and other online firms dedicate an increasing percentage of their inventory to seasonal goods and services. Because of this seasonality, investors may not be able to predict our annual operating results based on a quarter-to-quarter comparison of our operating results. We believe seasonality will have an ongoing impact on our business.

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

Automobile insurance accounted for approximately 84% of our transaction revenues in 2008, approximately 84% of our transaction revenues in 2007, and approximately 76% in 2006. We anticipate that automobile insurance will continue to account for a substantial portion of our revenues for the foreseeable future. As a result, if we fail to attract a broad base of consumers to shop for automobile insurance on our site, our ability to generate revenue will be reduced and our business will be harmed. In addition, property and casualty insurance, including automobile insurance, is subject to operating cycles. During a cycle in which loss ratios rise, insurance companies may choose to restrict the amount of business they write while they await approval of rate increases from the various state insurance departments. Our business could be harmed if our participating insurance companies reduce their participation in our online marketplace.

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

We have spent a significant amount of management time and external resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and Nasdaq Stock Market rules. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management's annual review and evaluation of our internal control systems, and attestations of the effectiveness of these systems by our independent registered public accounting firm. This process may require us to

hire additional personnel and outside advisory services which will result in significant additional accounting and legal expenses. We may be unsuccessful in obtaining an unqualified report on the effectiveness of our internal controls over financial reporting from our independent auditors. In the event that our chief executive officer or chief financial officer determine that our controls over financial reporting are not effective as defined under Section 404, investor perceptions of our company may be adversely affected and could cause a decline in the market price of our stock.

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

A growing number of websites offer services that are similar to and competitive with the services offered on our online insurance marketplace. Therefore, a positive recognition of our brand is critical to attracting additional consumers to our website. Our current consumer marketing program consists of the maintenance of certain network online relationships and other selective cost effective marketing campaigns, designed to maintain consumer awareness of InsWeb and our online insurance marketplace. InsWeb's local agent sales and marketing efforts seek to identify personal line insurance agents interested in participating in the AgentInsider program through direct mail, email and telephone solicitation, referrals from other local agents and general advertising. In addition, sales efforts are directed toward signing carrier sponsored agreements, whereby insurance carriers promote and market the AgentInsider program to their participating local agents, both captive and independent. In order to attract and retain consumers and local agents and to promote and maintain our brands, we are continuing our financial commitment to both the consumer and agent marketing efforts. However, if our marketing efforts do not generate a corresponding increase in revenues or we otherwise fail to successfully promote our brand, or if these efforts require excessive expenditures, our business will be harmed. Moreover, if consumers or agents do not perceive our existing services to be of high quality, or if we alter or modify our brand image, introduce new services or enter into new business ventures that are not favorably received, the value of our brand could be harmed.

Our ability to maintain a positive recognition of our brand also depends in part on the quality of the products and services consumers receive from our participating providers, including timely response to requests for quotes or coverage. If we are unable to provide consumers with high-quality products and services, the value of our brand may be harmed and the number of consumers using our services may decline.

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

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

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to website and systems development;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, online companies and third-party service providers.

Accordingly, we may not be able to maintain or grow consumer traffic to our website and our base of participating insurance companies, our competitors may grow faster than we do, or companies with whom we have strategic

relationships may discontinue their relationships with us, any of which would harm our business.

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

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

These reductions in participation, terminations, or an inability to attract additional insurance companies to our marketplace could materially affect our revenues and harm our business.

The outcome and impact of the securities class action lawsuit involving InsWeb is uncertain

A securities class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York, (the "Court") purportedly on behalf of all persons who purchased our common stock from July 22, 1999 through December 6, 2000. The complaint named as defendants InsWeb, certain current and former officers and directors, and three investment banking firms that served as underwriters for InsWeb's initial public offering in July 1999. The complaint, as subsequently amended, alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10 and 20 of the Securities Exchange Act of 1934, on the grounds that the prospectuses incorporated in the registration statements for the offering failed to disclose, among other things, that (i) the underwriters had solicited and received excessive and undisclosed commissions from certain investors in exchange for which the underwriters allocated to those investors material portions of the shares of our stock sold in the offerings and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocated shares of the stock sold in the offering to those customers in exchange for which the customers agreed to purchase additional shares of InsWeb stock in the aftermarket at pre-determined prices. No specific damages are claimed. Similar allegations have been made in lawsuits relating to more than 300 other initial public offerings conducted in 1999 and 2000, all of which have been consolidated for pretrial purposes. In October 2002, all claims against the individual defendants were dismissed without prejudice. In February 2003, the Court dismissed the claims in the InsWeb action alleging violations of the Securities Exchange Act of 1934 but allowed the plaintiffs to proceed with the remaining claims. In June 2003, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuers in all the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. InsWeb and most of the other issuer defendants have accepted the settlement proposal. While the District Court was considering final approval of the settlement, the Second Circuit Court of Appeals vacated the class certification of plaintiffs' claims against the underwriters in six cases designated as focus or test cases. On December 14, 2006, the District Court ordered a stay of all proceedings in all of the lawsuits pending the outcome of plaintiffs' petition to the Second Circuit for rehearing en banc and resolution of the class certification issue. On April 6, 2007, the Second Circuit denied the plaintiffs' petition for rehearing, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. Because of the significant technical barriers presented by the Court's decision, the parties withdrew the proposed settlement and the plaintiffs filed an amended complaint. In September 2008, all of the parties to the IPO litigation agreed in principle to a revised

settlement, subject to preparation of formal documentation. As with the earlier settlement proposal, the revised settlement proposal does not require InsWeb to contribute any cash. There is no assurance that the new settlement will be finalized, and then approved. If the settlement is not finalized and subsequently approved, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

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

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

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

A significant barrier to electronic commerce and communications is the secure transmission of personally identifiable information of Internet users as well as other confidential information over public networks. If any compromise or breach of security were to occur, it could harm our reputation and expose us to possible liability. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches. To date, we have experienced no breaches in our network security. We rely on encryption and authentication

technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as names, addresses, Social Security and credit card numbers, user names and passwords and insurance company rate information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments could result in a compromise or breach of the algorithms we use to protect consumers' and insurance companies' confidential information.

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

Since launching our online marketplace, we have experienced occasional minor system failures or outages that have resulted in the online marketplace being out of service for a period ranging from several minutes to three hours while our technicians brought backup systems online. We may experience further system failures or outages in the future that could disrupt the operation of our website and could harm our business. Our revenues depend in large part on the volume of traffic on our website and, more particularly, on the number of insurance quotes generated by our website in response to consumer inquiries. Accordingly, the performance, reliability and availability of our website, quote-generating systems and network infrastructure are critical to our reputation and our ability to attract a high volume of traffic to our website and to attract and retain participating insurance companies. Moreover, we believe that consumers who have a negative experience with an electronic commerce website may be reluctant to return to that site. Thus, a significant failure or outage affecting our systems could result in severe long-term damage to our business.

Additionally, several of our participating insurance companies have chosen a technical solution that requires that our website servers communicate with these insurance companies' computer systems in order to perform the underwriting and risk analysis and rating functions required to generate quotes. Thus, the availability of quotes from a given insurance company may depend in large part upon the reliability of that insurance company's own computer systems, over which we have no control.

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

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

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

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly Hussein A. Enan, Chairman of our Board and Chief Executive Officer, and the loss of the services of any of our executive officers or other key employees could harm our business. We have no long-term employment agreements with any of our key personnel, although Kiran Rasaretnam, our Chief Financial Officer, L. Eric Loewe, our Senior Vice President and General Counsel, and Steven Yasuda, our Controller and Chief Accounting Officer and certain other key employees are entitled to certain severance benefits should their employment be involuntarily terminated. We maintain a $2 million life insurance policy on Mr. Enan that names InsWeb as the beneficiary, but we maintain no similar insurance on any of our other key employees. InsWeb has granted stock options as incentives to executive officers, new employees and certain other key personnel. As the value of these incentives is highly dependent on an increase in the market price of our common stock, we may be unable to retain such key employees, nor retain or recruit other officers and key employees in the future.

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

From time to time we have been subject to claims of infringement of other parties' proprietary rights or claims that our own trademarks, patents or other intellectual property rights are invalid. We are currently a party, as both defendant and plaintiff, to pending patent litigation, as described in "Item 3. Legal Proceedings." In the past, we have been subject to other infringement claims in the ordinary course of business, including claims of alleged infringement of the patent and trademark rights of third parties by us and companies with which we have business relationships. The pending litigation, and future

claims of this type, with or without merit, could be time-consuming to defend, result in costly litigation, divert management attention and resources or require us to enter into royalty or license agreements. License agreements may not be available on reasonable terms, if at all, and the assertion or prosecution of any infringement claims could significantly harm our business.

Our stock price has fluctuated widely

The trading price of our common stock has been volatile and may be significantly affected by factors including actual or anticipated fluctuations in our operating results, new products or new contracts by us or our competitors, loss of key insurance providers, conditions and trends in the electronic commerce and insurance industries, general market conditions and other factors. These fluctuations may continue and could harm our stock price. Any negative change in the public's perception of the prospects of Internet or electronic commerce companies could also depress our stock price regardless of our results.

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

InsWeb's corporate headquarters and its principal administrative, product development, sales and marketing operations are located in a 55,000 square foot facility in the Sacramento, California area, which InsWeb occupies under a lease expiring in 2011. InsWeb also leased approximately 75,000 square feet of office space in Redwood City, California under leases that expired in September 2008. These facilities were formerly occupied by InsWeb as its headquarters and were vacated by InsWeb in December 2000 when it consolidated its operations at its present facility.

InsWeb believes that its existing facilities are adequate to meet its needs for future growth, and there should be no need to lease additional or alternative space in the near term.

Item 3. Legal Proceedings.

Securities Class Action

A securities class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York, (the "Court") purportedly on behalf of all persons who purchased our common stock from July 22, 1999 through December 6, 2000. The complaint named as defendants InsWeb, certain current and former officers and directors, and three investment banking firms that served as underwriters for InsWeb's initial public offering in July 1999. The complaint, as subsequently amended, alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10 and 20 of the Securities Exchange Act of 1934, on the grounds that the prospectuses incorporated in the registration statements for the offering failed to disclose, among other things, that (i) the underwriters had solicited and received excessive and undisclosed commissions from certain investors in exchange for which the underwriters allocated to those investors material portions of the shares of our stock sold in the offerings and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocated shares of the stock sold in the offering to those customers in exchange for which the customers agreed to purchase additional shares of InsWeb stock in the aftermarket at pre-determined prices. No specific damages are claimed. Similar allegations have been made in lawsuits relating to more than 300 other initial public offerings conducted in 1999 and 2000, all of which have been consolidated for pretrial purposes. In October 2002, all claims against the individual defendants were dismissed without prejudice. In February 2003, the Court dismissed the claims in the InsWeb action alleging violations of the Securities Exchange Act of 1934 but allowed the plaintiffs to proceed with the remaining claims. In June 2003, the plaintiffs in all of the cases presented a settlement proposal to all of the

issuer defendants. Under the proposed settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuers in all the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. InsWeb and most of the other issuer defendants have accepted the settlement proposal. While the District Court was considering final approval of the settlement, the Second Circuit Court of Appeals vacated the class certification of plaintiffs' claims against the underwriters in six cases designated as focus or test cases. On December 14, 2006, the District Court ordered a stay of all proceedings in all of the lawsuits pending the outcome of plaintiffs' petition to the Second Circuit for rehearing en banc and resolution of the class certification issue. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. Because of the significant technical barriers presented by the Court's decision, the parties withdrew the proposed settlement and the plaintiffs filed an amended complaint. In September 2008, all of the parties to the IPO litigation agreed in principle to a revised settlement, subject to preparation of formal documentation. As with the earlier settlement proposal, the revised settlement proposal does not require InsWeb to contribute any cash. There is no assurance that the new settlement will be finalized, and then approved. If the settlement is not finalized and subsequently approved, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Section 16(b) Lawsuit

On October 12, 2007, Vanessa Simmonds, a purported stockholder of InsWeb, filed a complaint in the United States District Court for the Western District of Washington, against InsWeb and two investment banking firms that served as underwriters for the initial public offering of our common stock in July 1999. The complaint alleges that: (i) the defendants, other underwriters of the offering, and unspecified officers, directors and principal stockholders of InsWeb constituted a "group" that owned in excess of 10% of InsWeb's outstanding common stock between July 23, 1999 and July 20, 2000; (ii) the defendants were therefore subject to the "short swing" prohibitions of Section 16(b) of the Securities Exchange Act of 1934; and (iii) the defendants engaged in purchases and sales, or sales and purchases, of InsWeb's common stock within periods of less than six months in violation of the provisions of Section 16(b). The complaint seeks disgorgement of all profits allegedly received by the defendants, with interest and attorneys fees, for transactions in violation of Section 16(b). InsWeb, as the statutory beneficiary of any potential Section 16(b) recovery, is named as a nominal defendant in the complaint. A number of similar lawsuits against underwriters of other public offerings have recently been filed by the same plaintiff and law firm. On February 11, 2008, the court approved a stipulated order that InsWeb need not answer or otherwise respond to the complaint. On February 28, 2008, the plaintiff filed an amended complaint, and InsWeb was again excused from filing an answer. On March 12, 2009 the court issued an order dismissing the case with prejudice, but plaintiffs may appeal this order. If the lawsuit is reinstated on appeal, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Patent Litigation

On November 30, 2007, Autobytel, Inc.filed a complaint in the United States District Court for the Eastern District of Texas against InsWeb and three other defendants. The complaint alleges that InsWeb and the other defendants infringed U.S. Patent No. 6,282,517 ("the '517 patent"), which appears to disclose a method and apparatus to allow a potential automobile purchaser to create and submit a purchase request for a new or used automobile over a computer network. The complaint contains generic allegations that InsWeb infringed the '517 patent by making, using, offering to sell and selling systems and/or methods that embody the invention claimed in the '517 patent and/or actively inducing and/or contributing to others' infringement of such inventions. The complaint seeks unspecified monetary damages and injunctive relief. On February 25, 2008, InsWeb filed an answer and counterclaim denying infringement

of the ‘517 patent and asserting invalidity of the patent and other affirmative defenses. The court set May 2, 2011 as the trial date.

On March 11, 2008, InsWeb filed a complaint in the United States District Court for the Southern District of California against Autobytel, Inc., Autobytel I Corporation (formerly known as AVV, Inc.) and Dominion Enterprises. InsWeb filed an amended complaint on July 3, 2008 adding OneCommand, Inc. as a defendant. The amended complaint alleges that the defendants have infringed InsWeb’s U.S. Patent No. 6,898,597 (“the ‘597 patent”), which relates to an event logging system that monitors for the occurrence of predefined website usage events. Defendant Autobytel, through its wholly-owned subsidiary AVV, marketed and sold a product known as WebControl that embodies the invention claimed in the ‘597 patent. In January 2008, Autobytel sold AVV, including the WebControl product, to Dominion Enterprises. Autobytel also owned an asset named Retention Performance Marketing (RPM) that embodied the invention claimed in InsWeb’s patent. Autobytel sold the RPM asset to OneCommand in July 2007. The amended complaint also adds Internet Brands, Inc., Leadpoint, Inc., and Auto Internet Marketing, Inc. as co-plaintiffs with InsWeb following InsWeb’s assignment of a partial interest in the ‘597 Patent to these companies. InsWeb and its co-plaintiff are seeking monetary damages in an amount to be determined at trial from each defendant and a permanent injunction against further acts of infringement.

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

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

InsWeb did not submit any matters to a vote of our security holders during the fourth quarter of 2008.

PART II

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

InsWeb’s common stock is quoted on the Nasdaq Global Market under the symbol “INSW.” As of December 31, 2008, there were approximately 1,800 stockholders of record. Certain shares are held by brokers and other institutions on behalf of stockholders, and we are unable to determine the total number of stockholders represented by these record holders. The following table sets forth, for the quarters indicated, the high and low sales price per share of InsWeb’s common stock as reported on the Nasdaq Global Market:

	Price Range Quarter Ended	
	High	Low
2008		
December 31, 2008	$ 5.76	$ 1.57
September 30, 2008	$ 9.29	$ 4.53
June 30, 2008	$ 12.50	$ 9.00
March 31, 2008	$ 11.80	$ 6.61
2007		
December 31, 2007	$ 11.40	$ 8.28
September 30, 2007	$ 9.15	$ 6.72
June 30, 2007	$ 8.67	$ 3.06
March 31, 2007	$ 4.71	$ 2.93

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

Item 6. Selected Financial Data.

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

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

	Year ended December 31,				
(in thousands, except per share amounts)	2008	2007	2006	2005	2004
Revenues:					
Transaction fees	$ 37,275	$ 32,940	$ 28,161	$ 24,650	$ 13,987
Other	222	258	340	365	673
Total revenues	37,497	33,198	28,501	25,015	14,660
Operating expenses:					
Direct marketing	26,650	19,567	18,576	15,207	8,327
Sales and marketing	5,982	5,246	7,512	6,770	5,541
Technology	3,292	3,075	4,459	5,354	5,416
General and administrative	4,024	4,213	3,799	4,023	4,544
Lease loss accrual (1)	—	(985)	—	—	—
Total operating expenses	39,948	31,116	34,346	31,354	23,828
Income (loss) from operations	(2,451)	2,082	(5,845)	(6,339)	(9,168)
Interest and other income, net (2)	244	384	2,475	398	235
Income (loss) before income taxes	(2,207)	2,466	(3,370)	(5,941)	(8,933)
Provision (benefit) for income taxes	(44)	45	—	—	—
Income (loss) before income taxes	$ (2,163)	$ 2,421	$ (3,370)	$ (5,941)	$ (8,933)
Net income (loss) per share:					
Basic	$ (0.46)	$ 0.55	$ (0.82)	$ (1.40)	$ (1.90)
Diluted	$ (0.46)	$ 0.46	$ (0.82)	$ (1.40)	$ (1.90)
Shares used in computing net income (loss) per share:					
Basic	4,703	4,387	4,092	4,234	4,711
Diluted	4,703	5,295	4,092	4,234	4,711

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

(2) Interest and other income, net, for 2006 includes a $2.0 million gain recorded in connection with the sale of InsWeb Insurance Services' property and casualty agency book of business.

CONSOLIDATED BALANCE SHEET DATA:

	As of December 31,				
(in thousands)	2008	2007	2006	2005	2004
Cash and cash equivalents	$ 9,238	$ 10,777	$ 6,750	$ 9,073	$ 9,334
Short-term investments	—	—	—	1,233	8,145
Working capital	7,810	10,011	4,787	7,271	14,451
Total assets	12,281	14,133	10,456	14,018	20,475
Total stockholders' equity	8,692	10,343	5,291	8,141	15,715

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

This Annual Report on Form 10-K and in particular Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" with respect to InsWeb's future financial performance. The words or phrases "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements are subject to various known and unknown risks and uncertainties, and InsWeb cautions you that any forward-looking information provided by, or on behalf of InsWeb is not a guarantee of future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond InsWeb's control, including, but not limited to, uncertain economic conditions which could result in continued decreases in revenue and reduced participation in InsWeb's marketplace, anticipated losses, the unpredictability of future revenues, reliance on key customers, property and casualty insurance carriers who are themselves subject to volatility in their operating cycles, competition, risks associated with system development and operation risks, uncertainty regarding the costs and revenues associated with new initiatives, management of potential growth and risks of new business areas, business combinations, and strategic alliances. These risks and uncertainties, as well as other risks and uncertainties, which are described in greater detail in "Item 1A. Risk Factors" and other documents filed with the Securities and Exchange Commission, could cause InsWeb's actual results to differ materially from historical results or those currently anticipated. All forward-looking statements are based on information available to InsWeb on the date hereof, and InsWeb assumes no obligation to update such statements.

Overview

InsWeb operates an online insurance marketplace that electronically matches consumers and providers of automobile, hoemowners and term life insurance. InsWeb has combined extensive knowledge of the insurance industry, technological expertise and close relationships with a significant number of insurance companies to develop an integrated online marketplace.

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

Prior to September 2005, InsWeb's agent network program was conducted exclusively through an intermediary, NetQuote, Inc. During the year ended December 31, 2008, NetQuote represented 13% of auto transaction fees, compared to 15% and 19% during the years ended December 31, 2007 and 2006 respectively. To lessen InsWeb's reliance on this intermediary, and to maximize its revenue potential, InsWeb launched a proprietary agent network program ("AgentInsider") to provide leads directly to local insurance agents who have registered with InsWeb. AgentInsider was launched in September 2005 and complements the offering of our intermediary. As of December 31, 2008, 7,400 local personal lines insurance agents were actively purchasing consumer leads through AgentInsider. For the year ended, December 31, 2008, AgentInsider, represented 25% of auto, homeowners' and term life transaction fees. We expect that the sales of consumer leads to insurance agents, both through intermediaries and through our internally developed network, will continue to represent a significant percentage of auto transaction fees.

InsWeb has focused its efforts on developing insurance company coverage for automobile insurance in order to be able to offer true comparative online shopping for this important segment of the insurance market. Automobile insurance accounted for approximately 84% of our transaction revenues in 2008, approximately 84% in 2007 and approximately 76% in 2006. We anticipate that automobile insurance will continue to account for a substantial portion of our revenues for the foreseeable future.

InsWeb has been dependent on a limited number of customers for a majority of its automobile insurance transaction fee revenues, although recent expansion of InsWeb's offering has reduced that dependency to some extent. For the year ended December 31, 2008, NetQuote and two insurance companies (AIG, and Allstate) accounted for 16%, 14%, and 11% of total revenues, respectively. For the year ended December 31, 2007, three customers (NetQuote, Allstate and AIG) accounted for 16%, 13% and 13% of total revenues, respectively. For the year ended December 31, 2006, two customers (NetQuote and AIG) accounted for 17% and 10% of total revenues. At December 31, 2008, one customer (NetQuote) accounted for 17% of accounts receivable. At December 31, 2007, two customers (AIG and NetQuote) each accounted for 17% of accounts receivable.

InsWeb incurred operating losses of $2.5 million in 2008, and as of December 31, 2008, our accumulated deficit was $191.7 million. InsWeb generated operating income of $2.1 million in 2007 and incurred operating losses of $5.8 million in 2006. InsWeb's activities' have consumed substantial amounts of cash, cash equivalents and short-term investments ($1.5 million in 2008 and, $2.3 million in 2006) and may require capital in the future. Cash consumption was reduced in 2007 with an increase in cash and cash equivalents of $4.0 million. At December 31, 2008, InsWeb had $9.2 million in cash and cash equivalents. The losses and the related accumulated deficit are a result of the significant costs incurred in the development of InsWeb's technology platform, the establishment of relationships with insurance companies, their integration with the InsWeb site, and InsWeb's marketing and sales activities. In order to remain competitive, InsWeb must continue to make investments essential to its ability to operate, and InsWeb intends to continue to invest in product development and maintenance, and sales and marketing. In addition, InsWeb will continue to incur the costs associated with continuing to function as a publicly listed company, including the costs of compliance with the provisions of the Sarbanes-Oxley Act of 2002, among other compliance related items. As a result, InsWeb may incur operating losses in 2009. In the event that InsWeb is unable to generate revenues sufficient to offset its costs, or if its costs of marketing and operations are greater than it anticipates, InsWeb may be unable to grow its business at the rate desired or may be required to delay, reduce, or cease certain of its operations, any of which could materially harm its business and financial results. In addition, if InsWeb is unable to sustain profitability, InsWeb may need to seek additional financing to continue its business operations. InsWeb cannot be certain that additional financing will be available when required, on favorable terms or at all. If InsWeb is not successful in raising additional capital as required, it may delay, significantly reduce or cease certain of its operations, which could adversely affect its results of operations and financial position.

Results of Operations

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

(in thousands)	Year ended December 31, 2008	2007	2006	Percentage Change from Prior Year 2008	2007
Revenues:					
Transaction fees:					
Auto insurance	$ 31,387	$ 27,640	$ 21,426	14%	29%
Term life insurance	1,687	3,341	5,108	(50)%	(35)%
Homeowners insurance	3,420	1,915	1,524	79%	26%
Other insurance offerings	781	44	103	1,675%	(57)%
	37,275	32,940	28,161	13%	17%
Other	222	258	340	(14)%	(24)%
Total revenues	37,497	33,198	28,501	13%	16%
Operating expenses:					
Direct marketing	26,650	19,567	18,576	36%	5%
Sales and marketing	5,982	5,246	7,512	14%	(30)%
Technology	3,292	3,075	4,459	7%	(31)%
General and administrative	4,024	4,213	3,799	(4%)	11%
Lease loss accrual	—	(985)	—	n/m	n/m
Total operating expenses	39,948	31,116	34,346	28%	(9)%
Income (loss) from operations	$ (2,451)	$ 2,082	$ (5,845)	(218)%	136%

The following table sets forth selected statement of operations data as a percentage of total revenues:

	Year ended December 31, 2008	2007	2006
Revenues:			
Transaction fees:			
Auto insurance	83.7%	83.2%	75.2%
Term life insurance	4.5%	10.1%	17.9%
Other insurance	11.2%	5.9%	5.7%
Other	0.6%	0.8%	1.2%
Total revenues	100.0%	100.0%	100.0%
Operating expenses:			
Direct marketing	71.1%	58.9%	65.2%
Sales and marketing	15.9%	15.8%	26.4%
Technology	8.8%	9.3%	15.7%
General and administrative	10.7%	12.7%	13.2%
Lease loss accrual	—%	(3.0)%	—%
Total operating expenses	(106.5)%	93.7%	120.5%
Income (loss) from operations	(6.5)%	6.3%	(20.5)%

Revenues

Auto insurance marketplace metrics were as follows:

(In thousands, except per consumer amounts)	Year ended December 31, 2008	2007	2006	Percentage Change from Prior Year 2008	2007
Auto insurance transaction revenues	$31,387	$ 27,640	$ 21,426	14%	29%
Number of consumers	8,827	6,045	5,064	46%	19%
Auto insurance transaction fees per consumer	$ 3.56	$ 4.57	$ 4.23	(22)%	8%

Term life marketplace metrics were as follows:

(In thousands, except per consumer and per policy amounts)	Year ended December 31, 2008	2007	2006	Percentage Change from Prior Year 2008	2007
Term life insurance transaction revenues	$ 1,687	$ 3,341	$ 5,108	(50)%	(35)%
Number of consumers	88	105	287	(16)%	(63)%
Term life insurance transaction fees per consumer	$ 19.17	$ 31.82	$ 17.80	(40)%	79%
Number of closed term life policies	—	2,580	5,444	(100)%	(53)%
Term life insurance transaction fees per closed term life policy	$ —	$ 1,295	$ 938	(100)%	38%

Homeowners marketplace metrics were as follows:

(In thousands, except per consumer amounts)	Year ended December 31, 2008	2007	2006	Percentage Change from Prior Year 2008	2007
Homeowner insurance transaction revenues	$ 3,420	$ 1,915	$ 1,524	79%	26%
Number of consumers	747	428	257	75%	67%
Homeowner insurance transaction fees per consumer	$ 4.58	$ 4.47	$ 5.93	2%	(24)%

Definitions:

“Number of consumers” Represents consumers acquired from marketing activities.

Transaction Fees. Automobile insurance transaction fees (consisting of lead fees, commissions and Sponsored Web Link fees) increased to $31.4 million in 2008 from $27.6 million in 2007. The 14% increase in transaction fees was attributable to a 46% increase in the number of consumers shopping for automobile insurance on the InsWeb platform in 2008 compared to 2007, offset by a 22% decrease in revenue earned per consumer in 2008 compared to 2007. Automobile insurance transaction fees (consisting of lead fees, commissions and Sponsored Web Link fees) increased to $27.6 million in 2007 from $21.4 million in 2006. The 29% increase in transaction fees was attributable to a 19% increase in the number of consumers shopping for automobile insurance on the InsWeb platform in 2007 compared to 2006, and an 8% increase in the revenue earned per consumer in 2007 compared to 2006.

Term life insurance transaction fees (consisting primarily of agency commissions and a limited amount of lead fees) decreased 50% to $1.7 million in 2008 from $3.3 million in 2007. The decrease in term life revenues resulted from the reduction in sales of new term life insurance policies following our decision in April 2007 to wind-down our term life agency in order to focus on more profitable lead generation opportunities. We will continue to offer term life insurance products to our consumers through our online insurance marketplace using a lead generation model.

Homeowners insurance transaction fees increased 79% to $3.4 million in 2008 from $1.9 million in 2007. The increase in transaction fees was attributable to a 75% increase in the number of consumers shopping for homeowners insurance on the InsWeb platform in 2008 compared to 2007. Homeowners insurance transaction fees increased to $1.9 million in 2007 from $1.5 million in 2006. The 26% increase in transaction fees was attributable to a 67% increase in the number of consumers shopping for homeowner insurance on the InsWeb platform in 2007 compared to 2006, offset by a 24% decrease in revenue earned per consumer in 2007 compared to 2006.

Included in the automobile, homeowners and term life transaction fees are revenues that we receive from other insurance shopping websites which purchase consumer leads from us to sell to their networks of agents and insurance companies.

Other insurance transaction fees consist of subscription and display advertising on agent directory pages. Agent directory revenues amounted to $0.7 million in 2008 and $0 in 2007 and 2006.

Other. Development and maintenance fees accounted for $0.2 million, or 0.6% of total revenues in 2008, compared to $0.3 million, or 0.8% of total revenues in 2007, and $0.3 million, or 1.2%, of total revenues in 2006.

Operating Expenses

	Year ended December 31,			Percentage Change from Prior Year	
(In thousands, except percentages)	2008	2007	2006	2008	2007
Operating expenses:					
Direct marketing	$ 26,650	$ 19,567	$ 18,576	36%	5%
Sales and marketing	5,982	5,246	7,512	14%	(30)%
Technology	3,292	3,075	4,459	7%	(31)%
General and administrative	4,024	4,213	3,799	(4)%	(11)%
Lease loss accrual	—	(985)	—	n/m	n/m

Direct marketing (consumer acquisition) metrics and costs were as follows:

	Year ended December 31,			Percentage Change from Prior Year	
(In thousands, except percentages and per consumer amounts)	2008	2007	2006	2008	2007
Direct marketing costs	$ 26,650	$ 19,567	$ 18,576	36%	5%
Direct marketing costs as a percent of transaction fees	71%	59%	66%	20%	(11)%
Number of consumers	12,129	6,578	5,609	84%	17%
Direct marketing cost per consumer	$ 2.20	$ 2.97	$ 3.31	(26)%	(10)%
Transaction fees per consumer	$ 3.07	$ 5.01	$ 5.02	(39)%	0%

Direct Marketing. Direct marketing expenses consist of advertising, promotions and fees paid to online companies to drive consumer traffic to the InsWeb online marketplace. InsWeb's marketing strategy is designed to increase consumer traffic to its website and to drive awareness of its insurance products and services. InsWeb employs various means of advertising, which consist primarily of online advertising, sponsored search, portal advertising, e-mail campaigns and strategic partnerships with high-profile online companies that can drive significant traffic to the InsWeb site. A growing portion of our consumer traffic comes from other insurance shopping websites for whom we operate as an additional, complimentary fulfillment program. Our agreements with these companies require us to share a portion of the revenues we earn when we are able to sell the consumer lead to additional agents or insurance

companies.

Fees related to InsWeb's online marketing are expensed in the period the related consumer click-through occurs or in some cases, when the consumer leads are generated. Direct Marketing expenses were $26.7 million in 2008, compared to $19.6 million in 2007, and $18.6 million in 2006. The 36% increase in spending in 2008 versus 2007 resulted in an 84% increase in consumer traffic. Much of the increase in traffic can be attributed to the Agent Directory that was launched at the beginning of 2008. Direct marketing expense as a percent of transaction revenues was 71% in 2008, compared to 59% in 2007 and 66% in 2006. As a percent of revenues, marketing costs in 2008 were higher than in 2007 due to the fact that, in 2007, we benefitted from the run-off revenues from the term-life agency without incurring any marketing costs.

Sales and Marketing. Sales and marketing expenses consist primarily of payroll and related expenses, including employee benefits, facility costs, telecommunications and systems costs, for InsWeb's sales and marketing personnel. Sales and marketing expenses increased to $6.0 million in 2008 from $5.2 million in 2007, a 14% increase. The increase was primarily due to an increase in headcount related expenses. Sales and marketing expenses decreased to $5.2 million in 2007 from $7.5 million in 2006, a 30% decrease. This decrease was a result of the closure of our term life agency in April of 2007 and the elimination of related sales and customer support costs.

Technology. Technology expenses consist primarily of payroll and related expenses, including employee benefits, facility and systems costs, for product and site development personnel involved with support and maintenance of the InsWeb online insurance marketplace. Technology expenses increased to $3.3 million in 2008 from $3.1 million in 2007. The increase was primarily due to an increase in headcount related expenses. Technology expenses decreased to $3.1 million in 2007 from $4.5 million in 2006. This decrease was primarily due to initiatives completed in September 2006 to reduce headcount due to the conclusion of various major technology initiatives.

General and Administrative. General and administrative expenses consist primarily of payroll and related expenses, including employee benefits, facility costs, telecommunications and systems costs, for InsWeb's general management, administrative and accounting personnel, as well as other general corporate expenses. General and administrative expenses decreased to $4.0 million in 2008 from $4.2 million in 2007. The decrease was primarily attributed to a decrease in

share-based compensation expense. General and administrative expenses increased to $4.2 million in 2007 from $3.8 million in 2006. The increase was primarily due to reductions in headcount and related severance costs.

Lease Loss Accrual. The lease loss accrual of $1.0 million for 2007 represents management's change in estimate for formerly occupied facilities.

Interest and Other Income, Net. Interest and other income for 2008 was $0.2 million compared to $0.4 million in 2007 and $2.5 million in 2006. Included in other income for 2006 was $2.0 million representing the gain recorded in connection with the sale of InsWeb Insurance Services' property and casualty agency book of business. This transaction closed on April 28, 2006. InsWeb's investment portfolio consists entirely of cash and cash equivalents. InsWeb expects that returns received from its investment portfolio in the near future will be negligible given current economic conditions in the United States.

Income Taxes. InsWeb's provision (benefit) for income taxes was ($44,000), $45,000 and $0 for the years ended December 31, 2008, 2007 and 2006 respectively.

Critical Accounting Policies

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

Revenue Recognition. InsWeb's principal source of revenues is transaction fees from participating insurance providers, either directly from an insurance company or from a local insurance agent. While quotes and other information obtained through InsWeb's online insurance marketplace are provided to consumers free of charge, InsWeb earns revenues from participating insurance companies or agents based on the delivery of qualified leads. In certain instances, consumers are provided the opportunity to link directly to a third-party insurance provider's website ("Sponsored Web Link" program). In these situations, the consumer will complete the third-party company's online application, and InsWeb will be paid a fee for that consumer link or "click-through." InsWeb recognizes revenue when (i) persuasive evidence of an arrangement between InsWeb and the customer exists, (ii) delivery of the product to the customer has occurred or service has been provided to the customer, (iii) the price to the customer is fixed or determinable and (iv) collectability of the sales price is reasonably assured.

Contingencies. As discussed in Part I, Item 3 ("Legal Proceedings") and in Part II, Note 5 of Notes to Consolidated Financial Statements of this report, InsWeb is a defendant in: i) a class action lawsuit that alleges InsWeb violated certain federal securities laws at the time of its initial public offering; ii) a securities lawsuit alleging certain officers and directors and significant shareholders violated the short swing trading prohibition of Section 16(b) of the Securities Exchange Act; and iii) a patent infringement lawsuit in the U.S. District Court for the Eastern District of Texas. InsWeb is a co-plaintiff in a patent infringement lawsuit in the U.S. District Court for the Southern District of California. InsWeb cannot accurately predict the ultimate outcome of these matters at this time and therefore, cannot estimate the range of probable loss, if any, due to the inherent uncertainties of litigation. InsWeb believes it has meritorious defenses; however InsWeb cannot assure that it will prevail in any of these actions. An unfavorable outcome could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Share-Based Compensation. InsWeb accounts for share-based compensation in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment. Under the provisions of Statement 123(R), share-based compensation cost is generally estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton (BSM) option-pricing model and is recognized as expense over the requisite service period. The BSM model requires various highly judgmental assumptions including expected option life, volatility, and forfeiture rates. If any of the assumptions used in the BSM model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

Income Taxes. InsWeb accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. The deferred tax assets and/or liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled.

Effective January 1, 2007 InsWeb adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to

be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. At January 1, 2008 and December 31, 2008, InsWeb had unrecognized tax benefits of approximately $0.3 million and $0.3 million, respectively (none of which, if recognized, would favorably affect InsWeb's effective tax rate). InsWeb does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

As of December 31, 2008, InsWeb had net operating loss carry forwards of approximately $190,000,000 for federal income tax purposes and $76,000,000 for state income tax purposes, respectively. The federal net operating loss carry forwards will begin to expire in the year 2011 and state net operating loss carry forwards will begin to expire in 2012. InsWeb's ability to utilize a portion of its net operating loss carry forwards to offset future taxable income may be subject to restrictions attributable to equity transactions that result in changes in ownership as defined in the Tax Reform Act of 1986. These restrictions may limit, on an annual basis, InsWeb's future use of its net operating loss carry forwards.

The carrying value of our deferred tax assets, which was approximately $70 million at December 31, 2008, is dependent upon our ability to generate sufficient future taxable income. We have established a full valuation allowance against our net deferred tax assets to reflect the uncertainty of realizing the deferred tax benefits, given historical losses. A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. This assessment requires a review and consideration of all available positive and negative evidence, including our past and future performance, the market environment in which we operate, the utilization of tax attributes in the past, and the length of carryforward periods and evaluation of potential tax planning strategies. We expect to continue to maintain a full valuation allowance until an appropriate level of profitability is sustained or we are able to develop tax strategies that would enable us to conclude that it is more likely than not that a portion of our deferred tax assets would be realizable.

Liquidity and Capital Resources

Summarized cash flow information is as follows (in thousands):

	Year ended December 31,		
	2008	2007	2006
Cash (used in) provided by operating activities	$ (754)	$ 2,530	$ (3,560)
Cash (used in) provided by investing activities	(656)	(20)	1,159
Cash (used in) provided by financing activities	(129)	1,517	78

At December 31, 2008, InsWeb's principal source of liquidity was $9.2 million in cash and cash equivalents. Since inception, InsWeb has financed its operations primarily through the sale of preferred and common stock.

In 2008, net cash used by operating activities primarily consisted of InsWeb's net loss of $2.2 million and a decrease in accrued expenses of $0.4 million. This was offset by noncash depreciation and amortization of $0.2 million, noncash share-based compensation of $0.6 million, a decrease in accounts receivable of $1.0 million, an increase of prepaid expenses and other current assets of $0.1 million, and an increase of deferred revenue of $0.2 million. In 2007, net cash provided by operating activities primarily consisted of InsWeb's income of $2.4 million and noncash share-based compensation of $1.1 million, decrease in accrued expenses of $0.3 million and depreciation of property and equipment of $0.2 million. This was offset by reductions in the lease loss accrual of $1.0 million and accounts payable and accrued expenses of $0.4 million. In 2006, net cash used in operating activities primarily consisted of InsWeb's net loss, partially offset by noncash share-based compensation of $0.4 million and depreciation of property and equipment of $0.2 million. An increase in accounts receivable and reductions in accounts payable and accrued expenses also contributed to cash used by operations.

Net cash used in investing activities in 2008 of $0.7 million consisted primarily of $0.4 million of purchases of property and equipment and $0.3 million in notes receivable from employees. Net cash used in investing activities in 2007 resulted from the purchase of property, equipment, and intangible assets. Net cash provided by investing activities in 2006 resulted primarily from redemptions of short-term investments of $1.5 million, offset by purchases of short-term investments of $0.2 million and purchase of property and equipments for $0.1 million.

Net cash used in financing activities in 2008 of $0.1 million resulted primarily from the cash settlement of an equity award of $0.9 million offset by $0.7 million in proceeds from the issuance of common stock through employee stock plans.

Net cash provided by financing activities in 2007 and 2006, resulted primarily from the proceeds from the issuance of common stock through employee stock plans.

InsWeb leases its current office facilities under non-cancelable operating leases, which expire at various dates through April 2011, including a 10-year lease agreement through April 2011 for office space in the Sacramento area which houses its corporate headquarters. InsWeb has an option to extend the lease at the end of the lease term, and has the right of first refusal on other office space in the complex.
Aggregate contractual cash obligations, net of contractual sublease income, as of December 31, 2008 is summarized as follows (in thousands):

Years ending December 31,	Gross lease commitments	Sublease income	Net lease commitment
2009	1,078	(110)	968
2010	1,078	(120)	958
2011	359	(20)	339
Thereafter	—	—	—
	$ 2,515	$ (250)	$ 2,265

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

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standard Board (FASB) revised Statement of Financial Accounting Standards No. 141, Business Combinations ("Statement 141(R)"). Statement 141(R) retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. Statement 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. InsWeb adopted Statement 141(R) at the beginning of 2009, with no material impact to InsWeb's consolidated financial statements upon adoption.

In December 2007, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements ("Statement 160"). Statement 160 amends FASB Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the on

controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. InsWeb adopted Statement 160 at the beginning of 2009, with no material impact to InsWeb's consolidated financial statements upon adoption.

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

The primary objective of our investment strategy is to preserve principal while maximizing the income we receive from investments without significantly increasing risk. To minimize this risk, as of December 31, 2008, we have maintained our portfolio of cash equivalents in short-term and overnight investments that are subject to minimal market risk, as the interest paid on such investments fluctuates with the prevailing interest rates. As of December 31, 2008, all of our cash equivalents mature in less than three months.

Item 8. Financial Statements and Supplementary Data.

The Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements and Notes to Consolidated Financial Statements follow below on pages F-1 to F-19.

INSWEB CORPORATION

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of InsWeb Corporation

We have audited the accompanying consolidated balance sheets of InsWeb Corporation ("Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of InsWeb Corporation at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Sacramento, California
March 31, 2009

INSWEB CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share amounts)

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 9,238	$ 10,777
Accounts receivable, net of allowances of $8 at 2008 and $36 at 2007	1,450	2,428
Related party receivable	—	48
Prepaid expenses and other current assets	711	548
Total current assets	11,399	13,801
Related party receivables	304	—
Property and equipment, net	249	257
Other assets	329	75
Total assets	$ 12,281	$ 14,133
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,138	$ 2,118
Accrued expenses	1,014	1,426
Deferred revenue	437	246
Total current liabilities	3,589	3,790
Commitments and contingencies		

Stockholders' equity:		
Convertible preferred stock, $0.001 par value. Authorized: 5,000 shares; no shares issued or outstanding at 2008 and 2007	—	—
Common stock, $0.001 par value. Authorized: 25,000 shares; 8,004 shares issued and 4,780 shares outstanding at 2008; and 7,807 shares issued and 4,583 shares outstanding at 2007	8	8
Paid-in capital	206,719	206,208
Treasury stock, 3,224 shares at 2008 and 2007	(6,334)	(6,334)
Accumulated other comprehensive income (loss)	1	—
Accumulated deficit	(191,702)	(189,539)
Total stockholders' equity	8,692	10,343
Total liabilities and stockholders' equity	$ 12,281	$ 14,133

See accompanying notes.

INSWEB CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
Revenues:			
Transaction fees	$ 37,275	$ 32,940	$ 28,161
Other	222	258	340
Total revenues	37,497	33,198	28,501
Operating expenses:			
Direct marketing	26,650	19,567	18,576
Sales and marketing	5,982	5,246	7,512
Technology	3,292	3,075	4,459
General and administrative	4,024	4,213	3,799
Lease loss accrual	—	(985)	—
Total operating expenses	39,948	31,116	34,346
(Loss) income from operations	(2,451)	2,082	(5,845)
Interest income	244	378	425
Other income, net	—	6	2,050
(Loss) income before income taxes	(2,207)	2,466	(3,370)
(Benefit) provision for income taxes	(44)	45	—
Net (loss) income	$ (2,163)	$ 2,421	$ (3,370)
Net (loss) income per share:			
Basic	$ (0.46)	$ 0.55	$ (0.82)
Diluted	$ (0.46)	$ 0.46	$ (0.82)
Shares used in computing net (loss) income per share:			
Basic	4,703	4,387	4,092
Diluted	4,703	5,295	4,092

See accompanying notes.

INSWEB CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2008, 2007 and 2006
(Amounts in thousands, except per share amounts)

	Common Stock			Treasury Stock		Accumulated Other Comprehensive		
	Shares	Amount	Paid-in Capital	Shares	Amount	Income (Loss)	Accumulated Deficit	Total
Balances, December 31, 2005	$7,301	7$	203,059	(3,224)	$ (6,334)	$1)	(188,590$	8,141
Issuance of shares through employee stock purchase plan and stock option plan	37	—	88	—	—	—	—	88
Share-based compensation expense	—	—	431	—	—	—	—	431
Comprehensive loss:								
Change in unrealized gain (loss) on investments	—	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	—	(3,370)	(3,370)
Comprehensive loss	—	—	—	—	—	—	—	(3,369)
Balances, December 31, 2006	7,338	7	203,578	(3,224)	(6,334)	—	(191,960)	5,291
Issuance of shares through employee stock purchase plan and stock option plan	469	1	1,516	—	—	—	—	1,517
Share-based compensation expense	—	—	1,114	—	—	—	—	1,114
Comprehensive income:								
Net income	—	—	—	—	—	—	2,421	2,421
	—	—	—	—	—	—	—	2,421

Comprehensive income								
Balances, December 31, 2007	7,807	8	206,208	(3,224)	(6,334)	—	(189,539)	10,343
Issuance of shares through employee stock purchase plan and stock option plan	197	—	721	—	—	—	—	721
Share-based compensation expense	—	—	640	—	—	—	—	640
Cash settlement of equity award	—	—	(850)	—	—	—	—	(850)
Comprehensive loss:								
Change in unrealized gain (loss) on investments	—	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	—	(2,163)	(2,163)
Comprehensive loss	—	—	—	—	—	—	—	(2,162)
Balances, December 31, 2008	8,004	$ 8	$ 206,719	(3,224)	$ (6,334)	$ 1	$ (191,702)	$ 8,692

See accompanying notes.

INSWEB CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS
(Amounts in thousands)

	Years Ended December 31,		
	2008	2007	2006
Cash flows from operating activities:			
Net (loss) income	$ (2,163)	$ 2,421	$ (3,370)
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Lease loss accrual	—	(985)	—
Share-based compensation	640	1,114	431
Depreciation and amortization	170	152	210
Net changes in operating assets and liabilities:			
Accounts receivable	978	376	(507)
Prepaid expenses and other current assets	(115)	(198)	147
Other assets	(59)	40	231

Accounts payable	19	(130)	(407)
Accrued expenses	(411)	(261)	(412)
Deferred revenue	191	1	117
Interest on notes receivable from employees	(4)	—	—
Net cash (used in) provided by operating activities	(754)	2,530	(3,560)
Cash flows from investing activities:			
Redemptions of short-term investments	—	—	1,462
Purchases of short-term investments	—	—	(228)
Purchases of property, equipment and intangible assets	(356)	(20)	(75)
Note receivable from employees	(300)	—	—
Net cash (used in) provided by investing activities	(656)	(20)	1,159
Cash flows from financing activities:			
Proceeds from issuance of common stock through stock plans	721	1,517	88
Cash settlement of equity award	(850)	—	—
Repayment of debt	—	—	(10)
Net cash (used in) provided by financing activities	(129)	1,517	78
Net (decrease) increase in cash and cash equivalents	(1,539)	4,027	(2,323)
Cash and cash equivalents, beginning of year	10,777	6,750	9,073
Cash and cash equivalents, end of year	$ 9,238	$ 10,777	$ 6,750

See accompanying notes.

INSWEB CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business of InsWeb Corporation

InsWeb Corporation (“InsWeb”) operates an online insurance marketplace that electronically matches consumers and insurance providers. InsWeb’s marketplace enables consumers to research insurance-related topics, search for, analyze and compare insurance products, apply for and to receive insurance company-sponsored quotes for coverage for automobile, homeowners and term life insurance.

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

InsWeb is subject to all of the risks inherent in the electronic commerce industry and special risks related to the online insurance industry. These risks include, but are not limited to, uncertain economic conditions which could result in lower growth rates, the changing nature of the electronic commerce industry, variations in the availability and cost of

acquiring consumer traffic, unpredictability of future revenues, reliance on key customers –insurance carriers, agents and other providers – who are themselves subject to volatility in their operating cycles, and reliance on a third-party intermediary who provides leads to local insurance agents on InsWeb's behalf. These risks and uncertainties, among others, could cause InsWeb's actual results to differ materially from historical results or those currently anticipated. In light of the evolving nature of InsWeb's business to better capitalize on its position as a leading insurance portal, including the current expansion of InsWeb's agent network program, InsWeb believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as an indication of future performance. Moreover, there is no assurance that InsWeb will be able to achieve and sustain profitability.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements include the accounts of InsWeb Corporation and its wholly-owned subsidiaries, InsWeb Insurance Services, Inc. and Goldrush Insurance Services, Inc. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Use of estimates

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

Cash, cash equivalents and short-term investments

InsWeb considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Investments with maturities greater than three months at the date of purchase but less than one year are classified as short-term investments. Cash and cash equivalents are stated at cost, which approximates fair value, given the relatively short duration of the underlying securities.

Revenue recognition

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

Transaction fee revenue from consumer leads, for both auto insurance and term life insurance, is recognized when such lead (either as a consumer click-through or after completion of the InsWeb application) is delivered to a participating

2. Summary of Significant Accounting Policies (continued)

insurance company. Transaction fee revenue from closed policies is recognized in the period that the insurance company has sold an insurance policy from a qualified consumer lead.

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

Online marketing and direct marketing expense

InsWeb's marketing strategy is designed to increase consumer traffic to its website and to drive awareness of its insurance products and services. InsWeb employs various means of advertising, which consist primarily of online advertising, sponsored search, portal advertising, e-mail campaigns and strategic partnerships with high-profile online companies that can drive significant traffic to its site. Fees related to InsWeb's online marketing are expensed in the period the related consumer click-through occurs or in some cases, when the consumer leads are generated. Online advertising payments based on per unit transactions are expensed in the period in which the consumer traffic occurred and are included in direct marketing expense.

Costs related to advertising and promotions of products are charged to sales and marketing expense as incurred. Direct marketing expense for the years ended December 31, 2008, 2007 and 2006 were $26,650,000, $19,567,000, and $18,576,000, respectively.

Property and equipment and other long-lived assets

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

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

Concentration of risk—credit

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

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

InsWeb's customer base is dispersed across many different geographic areas, and most customers are in the insurance industry in the United States. Collection of trade receivables may be affected by changes in economic or other industry conditions and may, accordingly, impact InsWeb's overall credit risk. InsWeb performs ongoing credit evaluations of its customers and generally does not require collateral. InsWeb reviews the need for allowances for potential credit losses based on historical losses, and records a provision when collectibility is uncertain. InsWeb has not experienced significant credit losses to date. Generally, receivables are due 30 days from the invoice date and are considered past due after this date.

2. Summary of Significant Accounting Policies (continued)

Concentration of risk—significant customers

For the year ended December 31, 2008, three customers (Netquote, AIG, and Allstate) accounted for 16%, 14%, and 11% of total revenues, respectively. For the year ended December 31, 2007, three customers (NetQuote, Allstate and AIG) accounted for 16%, 13% and 13% of total revenues, respectively. For the year ended December 31, 2006, two customers (NetQuote and AIG) accounted for 17% and 10% of total revenues. At December 31, 2008, one customer (NetQuote) accounted for 17% of accounts receivable. At December 31, 2007, two customers (AIG and NetQuote) each accounted for 17% of accounts receivable.

Income taxes

InsWeb uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. To the extent a deferred tax asset cannot be recognized under the preceding criteria, allowances are established. At December 31, 2008 and 2007, all deferred tax assets, without offsetting liabilities in the same jurisdiction, were fully offset by a valuation allowance.

In July 2006, the Financial Accounting Standards Board (“FASB”) issued Financial Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with the Statement of Financial Accounting Standards (“SFAS”) No. 109, Accounting for Income Taxes. FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

InsWeb accrues interest and penalties on underpayment of income taxes related to unrecognized tax benefits as a component of income tax expense in our consolidated statements of operations. No amounts were recognized for interest and penalties upon adoption of FIN 48 on January 1, 2007 or during the years ended December 31, 2008 and 2007.

Net income (loss) per share

Basic net income (loss) per share is computed using the weighted-average number of shares of common stock outstanding. Diluted earnings per share is a measure of the potential dilution that would occur if stock options had been exercised. Potentially dilutive securities have been excluded from the computation of diluted net loss per share, for the years ended 2008 and 2006, as their effect would be antidilutive.

The following table reconciles the numerator and denominator used to calculate basic and diluted net loss per share of common stock:

	Year Ended December 31,		
(In thousands, except per share amounts)	2008	2007	2006
Numerator for basic and diluted net loss per share:			
Net income (loss) available to common stockholders	$ (2,163)	$ 2,421	$ (3,370)
Denominator for net income (loss) per share:			

Basic—weighted average shares of common stock outstanding	4,703	4,387	4,092
Dilutive effect of employee stock options	—	908	—
Diluted	4,703	5,295	4,092
Net income (loss) per share:			
Basic—as reported	$ (0.46)	$ 0.55	$ (0.82)
Diluted—as reported	$ (0.46)	$ 0.46	$ (0.82)

2. Summary of Significant Accounting Policies (continued)

Potentially dilutive securities that are not included in the diluted net loss calculation because they would be antidilutive are employee stock options to purchase shares totaling 787,000 as of December 31, 2008 and 970,000 as of December 31, 2006.

Segment information

InsWeb operates in one segment, business-to-consumer electronic insurance services. InsWeb markets its online marketplace in the United States. The Chief Executive Officer has been identified as the Chief Operating Decision Maker because he has final authority over resource allocation decisions and performance assessment.

Recently issued accounting standards

In December 2007, the Financial Accounting Standard Board (FASB) revised Statement of Financial Accounting Standards No. 141, Business Combinations (“Statement 141(R)”). Statement 141(R) retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. Statement 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. InsWeb adopted Statement 141(R) at the beginning of 2009, with no material impact to InsWeb’s consolidated financial statements upon adoption.

In December 2007, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (“Statement 160”). Statement 160 amends FASB Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the on controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. InsWeb adopted Statement 160 at the beginning of 2009, with no material impact to InsWeb’s consolidated financial statements upon adoption.

3. Share-Based Payments

In July 1997, InsWeb authorized the 1997 Stock Option Plan (the “Option Plan”) and the Senior Executive Option Plan (the “Executive Plan”). Under the Option Plan, the Board of Directors may issue incentive stock options to employees of InsWeb and its subsidiaries and may also issue nonqualified stock options to employees, officers, directors, independent contractors and consultants of InsWeb and its subsidiaries. Under the Executive Plan, the Board of Directors may issue nonqualified stock options to employees, officers and directors of InsWeb and its subsidiaries.

In May 2003, the Option Plan was amended, with stockholder approval, to provide that each director would receive a fully-vested option to purchase 5,000 shares of common stock on July 1st (or the first business day thereafter) of each

year in which the director remains in office.

The Option Plan provided for an automatic annual increase in the share reserve, to be effective on the first day of each fiscal year, by a number of shares equal to 5% of the number of common shares outstanding as of the last day of the preceding fiscal year. With the expiration of the 1997 Stock Option Plan and Senior Executive Option Plan, in July 2007, InsWeb authorized the 2008 Stock Option Plan in February 2008, and options to purchase 1,500,000 shares of common stock were authorized under this plan.

Options granted under the above plans are priced at the fair market value on the date of grant and prior to January 1, 2006 generally vested in equal monthly installments over a three-year period; options granted subsequent to January 1, 2006 generally vest ratably over a one-year period. Beginning in 2007, performance based options have also been granted. Certain options granted to members of InsWeb's Board of Directors vest immediately.

Prior to January 1, 2006, options expired ten years from the date of grant; options granted subsequent to January 1, 2006 expire five years from the date of grant.

Options outstanding and currently exercisable by exercise price at December 31, 2008 are as follows:

	Options Outstanding		Options Currently Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Number Outstanding	Weighted Average Exercise Price
(in thousands, except contractual life and exercise price amounts)				
$1.40-$2.04	116	2.77	116	$ 2.02
$2.05-$2.05	226	2.70	200	$ 2.05
$2.30-$2.84	218	5.42	217	$ 2.74
$2.85-$3.40	185	5.29	185	$ 3.08
$3.41-$4.85	426	3.81	425	$ 3.87
$4.86-$6.30	284	3.38	284	$ 5.20
$6.31-$270.00	379	3.58	221	$ 22.19
	1,834	3.83	1,648	$ 5.97

InsWeb has an Employee Stock Purchase Plan (the "Purchase Plan") under which eligible employees may authorize payroll deductions of up to 15% of their compensation to purchase shares at 85% of the lower of the fair market value of the common stock on the date of commencement of the offering or on the last day of the six-month purchase period. During 2008, 2007 and 2006, 10,177, 7,861 and 8,246 shares respectively, were distributed to employees at prices ranging from $1.97 per share to $6.01 per share. The weighted average fair values of the 2008, 2007 and 2006 awards were $5.51, $2.44 and $2.26 per share, respectively. At December 31, 2008, InsWeb had 447,000 shares of its common stock reserved for future issuance under the Purchase Plan. The number of shares of common stock issuable under the 1999 Plan is increased by 50,000 shares each year until January 1, 2008 and 0 shares thereafter .

3. Share-Based Payments (continued)

On January 1, 2006, InsWeb adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments," ("SFAS 123(R)") requiring it to recognize expense related to the fair value of its share-based compensation awards. InsWeb elected to use the modified prospective transition method as permitted by SFAS 123(R) and therefore has not restated its financial results for prior periods. Under this transition method, share-based compensation expense for the year ended December 31, 2006 includes all share-based compensation awards granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS

123(R). InsWeb recognizes compensation expense for stock option awards issued subsequent to January 1, 2006 on a straight-line basis over the requisite service period of the award. All options issued prior to January 1, 2006 were fully vested at the date of adoption of SFAS 123(R), and therefore, no compensation expense was recognized for these options for the years ended December 31, 2008, 2007 and 2006.

The following table sets forth the total share-based compensation expense resulting from stock options and the Purchase Plan included in InsWeb's operating expenses in its condensed consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Sales and marketing	$ 170	$ 239	$ 126
Technology	59	92	32
General and administrative	411	783	273
Total share-based compensation expense	$ 640	$ 1,114	$ 431

The fair value of share-based awards granted pursuant to InsWeb's stock option plans was estimated using the Black-Scholes model with the following assumptions for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,		
	2008	2007	2006
Expected term (in years)	3.44	3.00	3.68
Expected volatility	0.65	0.66	0.72
Risk-free interest rate	1.9%	4.8%	4.0%
Expected dividend	—	—	—
Weighted-average fair value at grant date	$ 5.05	$ 1.91	$ 1.17

The Black-Scholes model is also used to determine the fair value of the shares issued for the Purchase Plan for the years ended December 31, 2008, 2007 and 2006. In connection with the Purchase Plan, for 2008, 2007 and 2006, assumptions used for expected term (in years), volatility and risk-free interest rate were approximately 0.50, 0.66 and 0.4% for the year ended December 31, 2008 and 0.50, 0.50 and 4.0% for the years ended December 31, 2007 and 2006 respectively.

Expected term. The expected term represents the period that InsWeb's share-based awards are expected to be outstanding. InsWeb's expected term was determined based on historical experience of similar awards, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee behavior.

Expected volatility. InsWeb uses the trading history of its common stock in determining an estimated volatility factor when using the Black-Scholes option-pricing formula to determine the fair value of options granted.

Risk-free interest rate. InsWeb bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with the same or substantially equivalent remaining term.

Expected dividend. InsWeb has not declared dividends to date. Therefore, InsWeb uses a zero value for the expected dividend value factor when using the Black-Scholes option-pricing formula to determine the fair value of options

granted.

3. Share-Based Payments (continued)

Estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. When estimating forfeitures, InsWeb considers historical voluntary and involuntary termination behavior as well as analysis of actual option forfeitures.

Activity under all of InsWeb's stock option plans is as follows:

(in thousands, except exercise price amounts)	Shares Available for Grant	Shares Outstanding	Weighted Average Exercise Price
Balances, December 31, 2005	888	1,464	$ 6.98
Additional shares reserved	206	—	—
Granted	(652)	652	$ 2.19
Exercised	—	(29)	$ 2.39
Canceled/forfeited	164	(164)	$ 5.57
Balances, December 31, 2006	606	1,923	$ 5.88
Additional shares reserved	206	—	—
Granted	(552)	552	$ 3.98
Exercised	—	(460)	3.25
Canceled/forfeited	62	(62)	$ 3.81
Expiration of 1997 stock option plan on July 1, 2007	(322)		
Balances, December 31, 2007	—	1,953	$ 5.70
Additional shares reserved	1,500	—	—
Granted	(326)	326	$ 10.94
Exercised	—	(308)	$ 3.13
Canceled/forfeited	137	(137)	$ 15.22
Balances, December 31, 2008	1,311	1,834	$ 6.35

The aggregate intrinsic values of options outstanding and exercisable at December 31, 2008 and 2007 were $109,000, and $9,071,000, respectively. Aggregate intrinsic value represents the total intrinsic value (the aggregate difference between the closing stock price of InsWeb's common stock on December 31, 2008 and 2007 and the exercise price for in-the-money options) that would have been received by the option holders if all options had been exercised on December 31, 2008 and 2007, respectively. The total intrinsic value of options exercised for the years ended December 31, 2008, 2007 and 2006 were $1,713,000, $1,903,000 and $15,000, respectively. The weighted-average remaining contractual terms of options outstanding and exercisable at December 31, 2008 and 2007 were 3.55 and 4.73 years, respectively.

As of December 31, 2008, there was $152,000 in unrecognized compensation cost for all stock options outstanding that were unvested. This amount is expected to be recognized over the weighted-average period of 2.6 years. InsWeb's current practice is to issue new shares to satisfy share option exercises.

Cash received from stock option exercises and purchases under the Purchase Plan for December 31, 2008, 2007 and 2006 were $721,000, $1,517,000 and $88,000 respectively.

4. Consolidated Financial Statement Details

Cash and cash equivalents

Cash and cash equivalents consist of the following (in thousands):

	December 31,	
	2008	2007
Cash	$ 1,289	$ 2,407
Money market funds	2,006	1,343
Commercial paper	4,443	3,315
Government sponsored enterprises	1,500	3,712
	$ 9,238	$ 10,777

4. Consolidated Financial Statement Details (continued)

InsWeb accounts for its short-term investments under Statement of Financial Accounting Standards No. 115, “Accounting for Certain Investments in Debt and Equity Securities” (“SFAS 115”). Management determines the appropriate classification of its debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. InsWeb holds no short-term investments at December 31, 2008 and 2007.

At December 31, 2008, the contractual maturities of InsWeb’s investment portfolio are less than one year. The gains and losses from the sale of available-for-sale securities have not been significant to date.

Prepaid expenses, related party receivable and other current assets

Prepaid expenses, related party receivable and other current assets consist of the following (in thousands):

	December 31,	
	2008	2007
Prepaid insurance	$ 124	$ 139
Related party receivable	—	48
Other	587	409
	$ 711	$ 596

On December 27, 2007, $48,000 was paid by InsWeb to the respective governmental agencies on behalf of the Chairman and CEO to cover his portion of withholding taxes for exercises of non-qualified stock options. This amount was subsequently repaid by the Chairman and CEO to InsWeb in January 2008.

Non Current related party receivable

	December 31,	
	2008	2007
Related party receivable	$ 304	$ —
	$ 304	$ —

As of December 31, 2008, related party receivable relates to promissory notes totaling $300,000 received from three non-officer employees of InsWeb in exchange for cash. These notes are unsecured loans with a per annum rate of 2.42%. Principal and interest are payable in full on or before July, 2011.

Property and equipment

Property and equipment, net, consists of the following (in thousands):

	December 31, 2008	2007
Computer and office equipment	$ 909	$ 819
Furniture and fixtures	450	450
Leasehold improvements	687	687
Software	621	575
	2,667	2,531
Less accumulated depreciation	(2,418)	(2,274)
	$ 249	$ 257

Depreciation expense was $169,000, $152,000, and $210,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

4. Consolidated Financial Statement Details (continued)

Other assets

Other assets consist of the following (in thousands):

	December 31, 2008	2007
Deposits for operating leases	$ 75	$ 75
Intangible assets	195	—
Other	59	—
	$ 329	$ 75

Accrued expenses

Accrued expenses consist of the following (in thousands):

	December 31, 2008	2007
Accrued employee compensation	$ 481	$ 402
Deferred rent	262	374
Accrued lease obligations	—	248
Other	271	402
	$ 1,014	$ 1,426

5. Commitments and Contingencies

Leases

InsWeb leases its current office facilities under non-cancelable operating leases, which expire at various dates through April 2011, including a 10-year lease agreement through April 2011 for office space in the Sacramento area which houses its corporate headquarters. InsWeb has an option to extend the lease at the end of the lease term, and has the right of first refusal on other office space in the complex.

Net contractual lease commitments as of December 31, 2008 are summarized as follows (in thousands):

Years ending December 31,	Gross lease commitments	Sublease income	Net lease commitment
2009	1,078	(110)	968
2010	1,078	(120)	958
2011	359	(20)	339
Thereafter	—	—	—
	$ 2,515	$ (250)	$ 2,265

Rent expense for the years ended December 31, 2008, 2007, and 2006 was $785,000, $916,000, and $1,010,000 (net of sublease rental income of $1,814,000, $2,167,000, and $2,030,000), respectively.

5. Commitments and Contingencies (continued)

Securities Class Action

A securities class action lawsuit was filed on December 5, 2001 in the United States District Court for the Southern District of New York, (the "Court") purportedly on behalf of all persons who purchased our common stock from July 22, 1999 through December 6, 2000. The complaint named as defendants InsWeb, certain current and former officers and directors, and three investment banking firms that served as underwriters for InsWeb's initial public offering in July 1999. The complaint, as subsequently amended, alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10 and 20 of the Securities Exchange Act of 1934, on the grounds that the prospectuses incorporated in the registration statements for the offering failed to disclose, among other things, that (i) the underwriters had solicited and received excessive and undisclosed commissions from certain investors in exchange for which the underwriters allocated to those investors material portions of the shares of our stock sold in the offerings and (ii) the underwriters had entered into agreements with customers whereby the underwriters agreed to allocated shares of the stock sold in the offering to those customers in exchange for which the customers agreed to purchase additional shares of InsWeb stock in the aftermarket at pre-determined prices. No specific damages are claimed. Similar allegations have been made in lawsuits relating to more than
300 other initial public offerings conducted in 1999 and 2000, all of which have been consolidated for pretrial purposes. In October 2002, all claims against the individual defendants were dismissed without prejudice. In February 2003, the Court dismissed the claims in the InsWeb action alleging violations of the Securities Exchange Act of 1934 but allowed the plaintiffs to proceed with the remaining claims. In June 2003, the plaintiffs in all of the cases presented a settlement proposal to all of the issuer defendants. Under the proposed settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment guaranty by the insurance companies collectively responsible for insuring the issuers in all the related cases, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. InsWeb and most of the other issuer defendants have accepted the settlement proposal. While the District Court was considering final approval of the settlement, the Second Circuit Court of Appeals vacated the class certification of plaintiffs' claims against the underwriters in six cases designated as focus or test cases. On December 14, 2006, the District Court ordered a stay of all proceedings in all of the lawsuits pending the outcome of plaintiffs' petition to the Second Circuit for rehearing en banc and resolution of the class certification issue. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. Because of the significant technical barriers presented by the Court's decision, the parties withdrew the proposed settlement and the plaintiffs filed an amended complaint. In September 2008, all of the parties to the IPO litigation agreed in principle to a revised settlement, subject to preparation of formal documentation. As with the earlier settlement proposal, the revised settlement proposal does not require InsWeb to contribute any cash. There is no assurance that the new settlement will be finalized, and then approved. If the settlement is not finalized and subsequently approved, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is

inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

Section 16(b) Lawsuit

On October 12, 2007, Vanessa Simmonds, a purported stockholder of InsWeb, filed a complaint in the United States District Court for the Western District of Washington, against InsWeb and two investment banking firms that served as underwriters for the initial public offering of our common stock in July 1999. The complaint alleges that: (i) the defendants, other underwriters of the offering, and unspecified officers, directors and principal stockholders of InsWeb constituted a "group" that owned in excess of 10% of InsWeb's outstanding common stock between July 23, 1999 and July 20, 2000; (ii) the defendants were therefore subject to the "short swing" prohibitions of Section 16(b) of the Securities Exchange Actgroup of 1934; and (iii) the defendants engaged in purchases and sales, or sales and purchases, of InsWeb's common stock within periods of less than six months in violation of the provisions of Section 16(b). The complaint seeks disgorgement of all profits allegedly received by the defendants, with interest and attorneys fees, for transactions in violation of Section 16(b). InsWeb, as the statutory beneficiary of any potential Section 16(b) recovery, is named as a nominal defendant in the complaint. A number of similar lawsuits against underwriters of other public offerings have recently been filed by the same plaintiff and law firm. On February 11, 2008, the court approved a stipulated order that InsWeb need not answer or otherwise respond to the complaint. On February 28, 2008, the plaintiff filed an amended complaint, and InsWeb was again excused from filing an answer. On March 12, 2009 the court issued an order dismissing the lawsuit with prejudice, but the plaintiff may appeal this order. If the lawsuit is reinstated on appeal, InsWeb intends to defend the lawsuit vigorously. The litigation and settlement process is inherently uncertain and management cannot predict the outcome, though, if unfavorable, it could have a material adverse effect on InsWeb's financial condition, results of operations and cash flows.

5. Commitments and Contingencies (continued)

Patent Litigation

On November 30, 2007, Autobytel, Inc.filed a complaint in the United States District Court for the Eastern District of Texas against InsWeb and three other defendants. The complaint alleges that InsWeb and the other defendants infringed U.S. Patent No. 6,282,517 (the " '517 patent"), which appears to disclose a method and apparatus to allow a potential automobile purchaser to create and submit a purchase request for a new or used automobile over a computer network. The complaint contains generic allegations that InsWeb infringed the '517 patent by making, using, offering to sell and selling systems and/or methods that embody the invention claimed in the '517 patent and/or actively inducing and/or contributing to others' infringement of such inventions. The complaint seeks unspecified monetary damages and injunctive relief. On February 25, 2008, InsWeb filed an answer and counterclaim denying infringement of the '517 patent and asserting invalidity of the patent and other affirmative defenses. The court set May 2, 2011 as the trial date.

On March 11, 2008, InsWeb filed a complaint in the United States District Court for the Southern District of California against Autobytel, Inc., Autobytel I Corporation (formerly known as AVV, Inc.) and Dominion Enterprises. InsWeb filed an amended complaint on July 3, 2008 adding OneCommand, Inc. as a defendant.The amended complaint alleges that the defendants have infringed InsWeb's U.S. Patent No. 6,898,597, which relates to an event logging system that monitors for the occurrence of predefined website usage events. Defendant Autobytel, through its wholly-owned subsidiary AVV, marketed and sold a product known as WebControl that embodies the invention claimed in the '597 patent. In January 2008, Autobytel sold AVV, including the WebControl product, to Dominion Enterprises. Autobytel also owned an asset named Retention Performance Marketing (RPM) that embodied the invention claimed in InsWeb's patent. Autobytel sold the RPM asset to OneCommand in July 2007. The amended complaint also adds Internet Brands, Inc., Leadpoint, Inc., and Auto Internet Marketing, Inc. as co-plaintiffs with InsWeb following InsWeb's assignment of a partial interest in the '597 patent to these companies. InsWeb and its co-plaintiff are seeking monetary damages in an amount to be determined at trial from each defendant and a

permanent injunction against further acts of infringement.

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

6. Income Taxes

InsWeb's provision (benefit) for income taxes was ($44,000), $45,000 and $0 for the years ended December 31, 2008, 2007 and 2006 respectively.

As of December 31, 2008, InsWeb had net operating loss carry forwards of approximately $190,000,000 for federal income tax purposes and $76,000,000 for state income tax purposes, respectively. The federal net operating loss carry forwards will begin to expire in the year 2011 and state net operating loss carry forwards will begin to expire in 2012. InsWeb's ability to utilize a portion of its net operating loss carry forwards to offset future taxable income may be subject to restrictions attributable to equity transactions that result in changes in ownership as defined in the Tax Reform Act of 1986. These restrictions may limit, on an annual basis, InsWeb's future use of its net operating loss carry forwards.

The components of the net deferred tax assets and liabilities are presented below (in thousands):

	December 31,	
	2008	2007
Net operating loss carry forwards	$ 68,969	$ 67,590
Tax credit carry forwards	958	958
Accruals and allowances	93	210
Other	875	1,048
	70,895	69,806
Less valuation allowance	(70,895)	(69,806)
Net deferred tax asset	$ —	$ —

Due to uncertainty surrounding the realization of the favorable tax attributes in future tax returns, InsWeb has recorded a valuation allowance against its net deferred tax asset. The valuation allowance recorded for the years ended December 31, 2008 and 2006 increased by $1,089,000 and $1,413,000 respectively and decreased by

6. Income Taxes (continued)

$5,815,000 in 2007. Deferred tax assets relating to net operating loss carry forwards for federal and state purposes includes approximately $2,700,000 associated with stock compensation activity, for which subsequent realized tax benefits, if any, will be credited directly to equity in the future.

The difference between the income tax benefit at the federal statutory rate of 34% and InsWeb's effective tax rate is due primarily to the valuation allowance established to offset the deferred tax assets. The provision for income taxes is different than the amount computed using the applicable statutory federal income tax rate with the difference for each year summarized below:

	December 31,		
	2008	2007	2006
Federal tax (benefit) at statutory rate	34%	34%	34%

Share based compensation	6%	(8)%	—%
Other	15%	2%	—%
Adjustment due to change in valuation allowance	(53)%	(26)%	(34)%
Provision for income taxes	2%	2%	0%

Effective January 1, 2007 InsWeb adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. At January 1, 2008 and December 31, 2008, InsWeb had unrecognized tax benefits of approximately $0.3 million and $0.3 million, respectively (none of which, if recognized, would favorably affect InsWeb's effective tax rate). InsWeb does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2008	2007
Balance at January 1	$ 300	$ 300
Increases (decrease) related to prior year tax positions	—	—
Increases related to current year tax positions	—	—
Settlements	—	—
Reductions due to lapse of applicable statute of limitations	—	—
Balance at December 31	$ 300	$ 300

Interest and penalty costs related to unrecognized tax benefits, if any, are classified as a component of interest income and other income (expense), net in the accompanying Statements of Operations. InsWeb, however, did not recognize any interest and penalty expense related to unrecognized tax benefits for the year ended December 31, 2008 and 2007.

InsWeb files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. InsWeb is subject to U.S. federal and state examination for the calendar tax years ending 1996 through 2008.

7. Employee Benefit Plan

InsWeb has a defined contribution plan offered to all eligible employees, which is qualified under section 401(k) of the Internal Revenue Code. InsWeb will match 50% of the first 6% of elective contributions made by each qualifying employee. Each participant is 100% vested in elective contributions and is incrementally vested one-third at the end of each of three consecutive years of service in employer contributions. Employer contributions for the years ended December 31, 2008, 2007 and 2006 were $118,000, $92,000, and $119,000 respectively.

8. Quarterly Financial Information (unaudited)

	Quarter ended			
(amounts in thousands, except per share amounts)	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Fiscal 2008:				

Total revenues	$ 13,032	$ 8,809	$ 9,010	$ 6,646
Operating expenses	12,442	9,855	9,653	7,998
Income (loss) from operations	590	(1,046)	(643)	(1,352)
Other income	89	60	47	48
Provision (benefit) for income taxes	9	(9)	(44)	—
Net income (loss)	$ 670	$ (977)	$ (552)	$ (1,304)
Net income (loss) per share				
Basic	$ 0.14	$ (0.21)	$ (0.12)	$ (0.27)
Diluted	$ 0.12	$ (0.21)	$ (0.12)	$ (0.27)
Fiscal 2007:				
Total revenues	$ 8,110	$ 8,129	$ 9,231	$ 7,728
Operating expenses	7,784	8,024	8,875	6,433
Income from operations	326	105	356	1,295
Other income	76	109	108	91
Provision for income taxes	—	—	—	45
Net income	$ 402	$ 214	$ 464	$ 1,341
Net income per share:				
Basic	$ 0.10	$ 0.05	$ 0.10	$ 0.29
Diluted	$ 0.09	$ 0.04	$ 0.08	$ 0.23

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

(b) Management's report on internal control over financial reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"), and includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of InsWeb;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation using criteria established in Internal Control – Integrated Framework our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

(c) Changes in internal control over financial reporting. There has been no change in InsWeb's internal control over financial reporting during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to affect, InsWeb's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

The SEC allows us to include information required in this report by referring to other documents or reports we have already filed or will soon be filing. This is called "incorporation by reference." We intend to file our definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report, and certain information therein is incorporated in this report by reference.

Item 10. Directors and Executive Officers and Corporate Governance.

The information required by this Item is incorporated by reference to information set forth in our definitive proxy statement under the heading "Management".

The information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to information set forth in our definitive proxy statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance."

The information required by this Item with respect to our code of ethics is incorporated by reference to information set forth in our definitive proxy statement under the heading "Proposal No. 1 – Election of Directors – Committee Charters and other Corporate Governance Materials."

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to information set forth in our definitive proxy statement under the heading “Executive Compensation and Other Matters.”

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

The information required by this Item is incorporated by reference to information set forth in our definitive proxy statement under the heading “Stock Ownership of Certain Beneficial Owners and Management.”

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

The information required by this Item is incorporated by reference to information set forth in our definitive proxy statement under the heading “Certain Relationships and Related Transactions, and Director Independence.”

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to information set forth in our definitive proxy statement under the heading “Principal Accountant Fees and Services.”

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Form:

1. Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders’ Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedules:

The following financial statement schedule of InsWeb Corporation for the years ended December 31, 2008, 2007 and 2006 is filed as part of this report and should be read in conjunction with the consolidated financial statements of InsWeb Corporation.

Schedule II—Valuation and Qualifying Accounts

Other schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedules or because the information required is included in the consolidated financial statements or notes thereto.

3. Exhibits:

See Index to Exhibits. The Exhibits listed in the accompanying Index are filed as part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2009.

INSWEB CORPORATION

By: /s/ KIRAN RASARETNAM
Kiran Rasaretnam
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ HUSSEIN A. ENAN Hussein A. Enan	Chairman of the Board and Chief Executive Officer	March 31, 2009
/s/ KIRAN RASARETNAM Kiran Rasaretnam	Chief Financial Officer (Principal Financial Officer)	March 31, 2009
/s/ STEVEN J. YASUDA Steven J. Yasuda	Chief Accounting Officer (Principal Accounting Officer)	March 31, 2009
/s/ JAMES M. CORROON James M. Corroon	Vice Chairman of the Board	March 31, 2009
/s/ DENNIS H. CHOOKASZIAN Dennis H. Chookaszian	Director	March 31, 2009
/s/ THOMAS W. ORR Thomas W. Orr	Director	March 31, 2009
/s/ ROBERT A. PUCCINELLI Robert A. Puccinelli	Director	March 31, 2009

INSWEB CORPORATION
EXHIBITS TO FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation of Registrant. (1)
3.2	Bylaws of Registrant. (1)
4.1	Fourth Amended and Restated Investor Rights Agreement between Registrant and certain Stockholders of Registrant, dated as of January 24, 2001. (2)
10.1*	Form of Indemnification Agreement between Registrant and Registrant's directors and officers. (1)
10.2*	Registrant's 1997 Stock Option Plan. (1)
10.3*	Registrant's 1999 Employee Stock Purchase Plan. (1)
10.11	Lease Agreement between Registrant and Oates/Allegheny Venture I, LLC, dated September 29, 2000. (3)
10.12	Third Amendment to Sublease Agreement between Registrant and Seven Networks, Inc., dated May 1, 2002. (4)
10.16*	InsWeb Corporation Executive Retention and Severance Plan Revised and Restated as of December 22, 2008. (5)
10.22†	InsWeb Services Agreement by and between Registrant and NetQuote, Inc., dated as of
10.23†	September 26, 2006. (8) Services Agreement between registrant and NetQuote, Inc.
10.24†	effective as of July 10, 2007.(9)
	Services Agreement Amendment between registrant and NetQuote, Inc. effective as of May 1, 2008.(10)
14.1	Code of Business Conduct and Ethics. (6)
21.1	Subsidiaries of Registrant. (11)
23.1	Consent of Independent Registered Public Accounting Firm. (11)
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. (11)
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. (11)
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350. (11)

(1) Incorporated by reference to identically numbered exhibit to Registrant's Registration Statement on Form S-1 (File No. 333-78095), as amended (the "Form S-1").
(2) Incorporated by reference to Exhibit 2.3 to Registrant's Current Report on Form 8-K filed on February 8, 2002.
(3) Incorporated by reference to Exhibit 10.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
(4) Incorporated by reference to identically numbered exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
(5) Filed contemporaneously with the Annual Report on Form 10-K for the year ended December 31, 2008.
(6) Incorporated by reference to identically numbered exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
(7) Incorporated by reference to identically numbered exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 2005.
(8) Incorporated by reference to identically numbered exhibit to Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2006.
(9) Incorporated by reference to identically numbered exhibit to Registrant's Quarterly report on Form

10-Q for the three months ended September 30, 2007.

(10) Incorporated by reference to identically numbered exhibit to Registrant's Quarterly report on Form 10-Q for the three months ended September 30, 2008.

(11) Filed herewith.

† Confidential treatment has been granted as to a portion of this Exhibit.

* Constitutes a management contract or a compensatory plan or arrangement.

INSWEB CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2008, 2007 and 2006

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 31, 2008:					
Allowance for doubtful accounts	$36,000			$ (28,000)	$ 8,000
Year ended December 31, 2007:					
Allowance for doubtful accounts	$ 12,000	$ —	$ 24,000	$ —	$ 36,000
Year ended December 31, 2006:					
Allowance for doubtful accounts	$ 36,000	$ —	$ —	$ (24,000)	$ 12,000