SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended. . . . . June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from. . . . . to. . . . .

Commission file number. 0-13591

HEALTHAXIS INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2214195
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5215 N. O'Connor Blvd., 800 Central Tower, Irving, Texas 75039
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (972) 443-5000

Former name, former address and former fiscal year, if changed since last report: N/A

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 ____

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 52,932,102 shares of common stock, par value $.10, outstanding as of July 16, 2001.

Healthaxis Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Healthaxis Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands except share and per share data) (Unaudited)

<TABLE>
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<S>	June 30, 2001 <C>	December 31, 2000 <C>
Assets		
Cash and cash equivalents	$ 12,188	$ 17,170
Accounts receivable, net of allowance for doubtful accounts of $287 and $300, respectively	2,540	2,061
Accounts receivable from affiliates	2,646	5,090
Prepaid expenses and other current assets	592	1,271
Total current assets	17,966	25,592
Property, equipment and software, less accumulated depreciation and amortization of $11,291 and $10,036, respectively	5,023	6,431
Capitalized software and contract start-up costs, less accumulated amortization of $1,113 and $1,478, respectively	5,531	7,240
Goodwill, less accumulated amortization of $1,892 and $34,109, respectively	19,278	648,854
Customer base, less accumulated amortization of $1,285 and $4,301, respectively	11,056	12,904
Assets held for sale	3,500	5,005
Investment in Digital Insurance, Inc.	1,907	3,178
Notes receivable and other assets	725	1,788
Total assets	$ 64,986	$ 710,992
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 5,198	$ 6,999
Deferred revenues	2,450	737
Obligations under capital lease	107	269
Total current liabilities	7,755	8,005
Convertible debentures	27,085	27,367
Post retirement and employment liabilities and other	1,081	1,087
Total liabilities	35,921	36,459
Commitments and contingencies Minority interest in Healthaxis:		
Common stock	-	442,989
Preferred stock	-	15,049
Stockholders' Equity:		
Preferred stock, par value $1: authorized 100,000,000, none issued and outstanding	-	-
Common stock, par value $.10: authorized 1,900,000,000, issued and outstanding 52,821,720 and 13,097,618 shares, respectively	5,282	1,310
Additional capital	433,033	325,797
Accumulated deficit	(408,844)	(105,497)
Unearned compensation	(406)	(5,115)
Total stockholders' equity	29,065	216,495
Total liabilities and stockholders' equity	$ 64,986	$ 710,992

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See notes to condensed consolidated financial statements.

Healthaxis Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

(Dollars in thousands, except share and per share data) (Unaudited)

<TABLE>
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<S>	Three Months Ended June 30, 2001 <C>	Three Months Ended June 30, 2000 <C>	Six months Ended June 30, 2001 <C>	Six months Ended June 30, 2000 <C>

Revenue	$ 11,497	$ 10,363	$ 22,334	$ 21,738
Expenses:				
Cost of revenues	10,866	12,923	22,855	24,944
Sales and marketing	686	968	2,573	1,616
General and administrative	1,689	3,094	10,194	7,540
Research and development	359	145	921	286
Restructuring and impairment charges	282,464	-	282,464	-
Amortization of intangibles	4,935	10,498	11,505	20,996
Total Expenses	300,999	27,628	330,512	55,382
Operating loss	(289,502)	(17,265)	(308,178)	(33,644)
Interest income (expense), net	5	408	70	(177)
Loss before minority interest	(289,497)	(16,857)	(308,108)	(33,821)
Minority interest in loss of subsidiary	-	9,708	3,080	19,068
Loss from continuing operations	(289,497)	(7,149)	(305,028)	(14,753)
Loss from discontinued operations	-	(2,613)	-	(6,341)
Loss on sale of discontinued operations	-	(2,802)	-	(2,802)
Loss on discontinued operations	-	(5,415)	-	(9,143)
Net loss before extraordinary item	(289,497)	(12,564)	(305,028)	(23,896)
Convertible debt restructuring	-	-	1,681	-
Net loss	$(289,497)	$(12,564)	$(303,347)	$ (23,896)
Loss per share of common stock (basic and diluted)				
Continuing operations	$(5.48)	$(.55)	$ (6.45)	$ (1.13)
Discontinued operations	-	(.41)	-	(.70)
Extraordinary gain	-	-	.04	-
Net loss	$(5.48)	$ (0.96)	$ (6.41)	$ (1.83)
Weighted average common shares and equivalents Used in computing (loss) per share				
Basic and diluted	52,784,000	13,098,000	47,302,000	13,072,000

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See notes to condensed consolidated financial statements.

Healthaxis Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands) (Unaudited)

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	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Unearned Compensation	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 2000	-	$ -	13,098	$ 1,310	$ 325,797	$ (105,497)	$(5,115)	$ 216,495
Net loss	-	-	-	-	-	(303,347)	-	(303,347)
Exchange of options in HAXS Merger	-	-	-	-	2,208	-	(1,513)	695
Issuance of common stock in HAXS Merger	-	-	39,629	3,963	105,017	-	-	108,980
Amortization/forfeiture of unearned compensation	-	-	-	-	(404)	-	1,250	846
Stock based compensation	-	-	-	-	5,117	-	-	5,117
Revaluation of unearned compensation	-	-	-	-	(4,972)	-	4,972	-
Increase in net assets of Healthaxis.com, Inc.	-	-	-	-	115	-	-	115

Common stock issued in lieu of interest and severance	-	-	95	9	155	-	-	164
BALANCE, June 30, 2001	-	$ -	52,822	$ 5,282	$ 433,033	$ (408,844)	$ (406)	$ 29,065

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See notes to condensed consolidated financial statements.

Healthaxis Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Dollars in thousands) (Unaudited)

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Cash flows from operating activities	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>
Net loss	$ (303,347)	$ (23,896)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on sale of discontinued operations	-	2,802
Depreciation and amortization	14,304	28,168
Bad debt reserve	33	6
Minority interest in loss of subsidiary:		
Share of loss from continuing operations	(3,080)	(19,068)
Share of loss from discontinued operations	-	(11,199)
Gain on convertible debt restructuring	(1,681)	-
Stock option compensation	5,404	2,766
Loss on disposition of assets	93	80
Interest on convertible debt	(21)	1,026
Non-cash portion of restructuring charge	282,115	-
Payments of interest and severance with common stock	164	-
Change in:		
Accounts receivable	1,932	(1,059)
Prepaid expense and other current assets	173	389
Other assets, current and deferred income taxes	(36)	(111)
Accounts payable and accrued liabilities	(581)	(3,649)
Deferred revenues	1,713	242
Ceding commission and interest	-	300
Future policy benefits and claims and other	(4)	(326)
Net cash used in operating activities	(2,819)	(23,529)
Cash flows from investing activities		
Cash in acquired company	-	2,126
Collection on notes receivable, net	804	-
Investment in capitalized software and contract start-up	(2,015)	(1,320)
Payment of acquisition costs	(471)	(1,031)
Purchases of property, equipment and software, net	(396)	(3,034)
Other	79	2
Net cash used in investing activities	(1,999)	(3,257)
Cash flows from financing activities		
Payments on capital leases	(164)	(277)
Exercise of stock options	-	341
Exercise of Healthaxis options	-	183
Net cash (used in) provided by financing activities	(164)	247
Decrease in cash and cash equivalents	(4,982)	(26,539)
Cash and cash equivalents, beginning of period	17,170	58,069
Cash and cash equivalents, end of period	$ 12,188	$ 31,530
Supplemental disclosure of cash flow information:		
Interest paid	$ 199	$ 532

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See notes to condensed consolidated financial statements.

Healthaxis Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands except share and per share data)

Note A - Description of Business and Basis of Presentation

Unaudited Financial Information

The unaudited condensed consolidated financial statements have been prepared by Healthaxis Inc. and subsidiaries (the "Company" or "HAXS"), pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Company, are necessary to present fairly the results for the interim periods. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. Results of operations for the six-month period ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

General

HAXS is a Pennsylvania corporation organized in 1982, with headquarters in Irving, Texas. HAXS operates as a technology solutions provider in the market of health care administration and distribution. The Company provides application solutions and services to both healthcare payers and those entities involved in the distribution and administration of health insurance. The Company offers a suite of Internet based software applications and services designed to enhance the efficiency and effectiveness of insurance plan distribution, claims administration, benefits enrollment, benefits maintenance and conversion of insurance claims information to electronic form. The Company also offers technology solutions to assist its clients in becoming compliant with the requirements of the Healthcare Insurance Portability and Accountability Act (HIPAA). In addition, the Company provides systems integration, technology management, and imaging data capture services.

Note B - Healthaxis Merger with Healthaxis Acquisition Corporation

On January 26, 2001, the shareholders of HAXS and Healthaxis.com, Inc. ("Healthaxis") approved the merger of Healthaxis with a newly formed, wholly owned subsidiary of HAXS ("the HAXS Merger"). This transaction was completed pursuant to the terms of the Amended and Restated Agreement and Plan of Reorganization dated October 26, 2000. In accordance with the terms of the merger, as amended, on January 26, 2001 HAXS issued 39,629,097 shares of its common stock to Healthaxis shareholders (a 1.334-to-1 ratio). In addition, HAXS issued 7,078,485 warrants and options to purchase HAXS common stock to holders of Healthaxis stock options and warrants which represented the number of Healthaxis options and warrants outstanding on the date of the merger after giving effect for the merger ratio. As a result of the HAXS Merger, Healthaxis ceased to exist, and the newly formed HAXS subsidiary continued as the surviving corporation of the merger operating under the Healthaxis name.

The HAXS Merger has been accounted for as a purchase of minority interest. The purchase price has been determined to be $110,956 which includes the following: (1) the fair value of the 39,629,097 HAXS shares issued to the holders of Healthaxis shares totaling $108,980 ($2.75 per share), (2) the fair value of a portion of the 7,078,485 HAXS options and warrants issued totaling $2,208 less $1,513 of unearned compensation for the unvested portion of options issued, and (3) acquisition costs totaling $1,280. The measurement date for purposes of calculating the fair value of HAXS common shares issued in the merger is September 29, 2000, the date the agreement was revised to reflect the final exchange ratio and certain other material terms of the merger. The fair value of HAXS shares on or about the measurement date was determined based upon quoted NASDAQ market prices. The fair value of HAXS options and warrants issued in the merger was determined using the Black Scholes option pricing model.

Under the rules for purchase accounting, the assets and liabilities of Healthaxis, including goodwill, have been revalued as of the date of the merger. A reduction of goodwill totaling $343,214 has been recorded as a result of the merger, which occurred on January 26, 2001. The reduction of goodwill results from a new purchase price used for the purchase of Healthaxis' minority interest. The new purchase price is based upon the fair value of HAXS common stock. The significant decrease in fair value of HAXS common stock on September 29, 2000 compared to the fair value of HAXS common stock on December 7, 1999 (the measurement date for the Insurdata Merger) results in a purchase price that is significantly lower than the Insurdata purchase price. As a result, a reduction of goodwill originating from the Insurdata Merger has been recorded.

Accounting for the Exchange of Stock Options in the HAXS Merger

The Company accounted for certain of the stock options exchanged in the HAXS Merger under the rules for purchase accounting. Certain other options exchanged were accounted for in accordance with the modification accounting guidance contained in FASB Interpretation ("FIN") 44, Accounting for Certain Transactions involving Stock Compensation. In order to determine which accounting guidance to apply to different option groups, the Company relied on the guidance in Emerging Issues Task Force Issue 00-23, Issues Related to the Accounting for Stock Compensation Under APB Opinion No. 25 "Accounting for Stock Issued to Employees", and FASB Interpretation No. 44 " Accounting for Certain Transactions Involving Stock Compensation". In accordance with the guidance, the Company included only the options exchanged in the January 2000 merger with Insurdata Incorporated into the purchase accounting for the HAXS Merger. This option group includes the Insurdata Founders Plan options. Under the rules for the purchase of a minority interest, a portion of the intrinsic value of the unvested options included in the calculation was recorded as unearned compensation. Unearned compensation is being amortized as compensation expense over the remaining vesting term of the related options. The Company recognized compensation expense totaling $438 and $846 related to unearned compensation amortization for the three and the six-months ended June 30, 2001, respectively.

The options exchanged for the remaining pool of Healthaxis options have been accounted for under the modification accounting rules of FIN 44. Under FIN 44, those 1998 Healthaxis Plan options that were re-priced in May 2000, will continue to be treated as variable option awards even after the merger option exchange. These options subject to variable accounting have an exercise price of $2.49 per share. At June 30, 2001, these options were not in the money, which resulted in no compensation expense for this group through June 30, 2001. Those options not re-priced in 2000 remain under the fixed option accounting rules of modification accounting. Under these rules, these options were re-measured as of the date of the merger. The intrinsic value of the vested options exchanged totaling $4,876 was expensed as compensation expense in the first quarter of 2001. The intrinsic value of the unvested options totaling $1,476 will be expensed over the remaining vesting period of the options. Stock based compensation expense, excluding the unearned compensation amortization, totaled $81 and $5,404 for the three months and the six-months ended June 30, 2001, respectively.

Note C - Related Party Transactions

UICI

Healthaxis conducts a significant amount of business with a major shareholder, UICI. Healthaxis currently provides services to a number of UICI subsidiaries and affiliates pursuant to written agreements ranging from one to five years, with annual renewable options thereafter. The agreements may be cancelled by UICI for convenience or for cause upon giving 180-day notice. In addition, the agreements contain no minimum or maximum commitments on behalf of UICI, and UICI is free to obtain the services provided by Healthaxis from unrelated parties. These services include the use of certain of Healthaxis' proprietary workflow and business applications, as well as systems integration and technology management. UICI and its subsidiaries and affiliates constitute, in the aggregate, Healthaxis' largest customer. For the three and the six-months ended June 30, 2001, UICI and its subsidiaries and affiliates accounted for an aggregate of $7,580 (66%) and $14,733 (66%), respectively, of Healthaxis' total revenues for the period. As of June 30, 2001, Healthaxis had trade receivables from UICI and its subsidiaries and affiliates of $2,646 (51%).

On January 25, 2001, Healthaxis entered into a software license agreement with UICI. Under the agreement, UICI paid a one-time license fee of $1,836 for a perpetual, enterprise-wide software license. UICI has the option to terminate the agreement within the first two years, in which case a prorated portion of the one-time license fee will be refunded. Consequently, the license fee is being recognized into revenue pro rata over 24 months.

On May 29, 2001, Healthaxis entered into an Engagement Letter with a subsidiary of UICI for the development and integration of software for compliance with the Healthcare Insurance Portability and Accountability Act (HIPAA). This is a fixed price agreement totaling $515 payable upon the achievement of certain milestones. Revenues are recognized using the percentage-of-completion method in proportion to the hours expended compared to the total hours projected for the project. Revenue of $103 has been recognized through June 30, 2001 under this agreement.

Digital Insurance

On June 30, 2000, Healthaxis entered into an Asset Purchase Agreement to sell certain assets used in connection with its retail website to Digital Insurance, Inc ("Digital Insurance"). This transaction closed on October 13, 2000. The consideration received by Healthaxis at closing in return for those assets consisted of: $0.5 million in cash; a $0.5 million note; 11% of the outstanding shares of Digital Insurance, on a fully-diluted basis; and a portion of Digital Insurance's net commission revenues received by Digital Insurance through the acquired website user interface or an affinity partner indefinitely. Healthaxis has reported the operations of the retail website as discontinued operations as of the measurement date of June 30, 2000. Additionally, the Company recorded a loss on the sale of the discontinued operations as of June 30, 2000.

In connection with this sale, Healthaxis and Digital insurance entered into a Software Licensing and consulting Agreement that provides Healthaxis with: a perpetual nonexclusive license to use and sublicense, subject to certain restrictions, the user interface sold to Digital Insurance; licensing fees over 30 months of $3.0 million for software owned by Healthaxis that will be used by Digital Insurance in conjunction with the user interface it purchased; and professional service fees over 12 months starting July 2000 of a minimum of $3.0 million for services relating to customizing, maintaining and upgrading the user interface and other software.

Effective May 31, 2001, the Company entered into an Amended Asset Purchase Agreement and Amended Software Licensing and Consulting Agreement. Under the terms of these amendments, the Company agreed to settle all amounts due from Digital Insurance (other than trade accounts receivable) under the original agreements for a lump sum cash payment of $2.0 million which approximated the Company's carrying values.

The following table (in thousands) shows the aggregate amounts paid by Digital Insurance, prior to and including the $2.0 million lump sum payment, as compared to the original contracted amount:

	Original Commitment	Amount Received
Purchase price	$ 1,000	$ 1,000
Professional services	3,000	3,000
License fees	3,000	813
Total	$ 7,000	$ 4,813

The amendment provides that in the event Digital Insurance has not completed an equity financing of at least $4.0 million on or before March 31, 2002, then Healthaxis shall be entitled to receive any and all amounts which would have otherwise become due under the original agreements, including accrued interest.

The amendments further require Digital Insurance to pay Healthaxis $100 per month effective June 1, 2001 continuing through the earlier to occur of either May 31, 2002, or the date Digital Insurance gives written notice to Healthaxis that Digital Insurance no longer utilizes the Non-Retail Presentation Layer Software and Other Common Modules as provided by Healthaxis. This $100 represents a guaranteed monthly minimum commitment and will cover a dedicated staff of approximately 5.5 FTEs (full time equivalents), Web hosting services, shared telecommunications cost, and rent and operating expenses in Healthaxis' East Norriton, PA facility.

In conjunction with management's review of long-lived assets at June 30, 2001, a write down of the Company's investment in Digital Insurance totaling approximately $1.2 million was recorded during the second quarter of 2001. This write down was based upon the Company's current estimate of the investment's net realizable value.

Note D - Restructuring of Convertible Debentures and Extraordinary Gain

On September 28, 2000, HAXS entered into an Amendment to the Securities Purchase Agreement dated September 14, 1999 between HAXS and the holders of HAXS' $27,500 2% convertible debentures (the "Amendment"). The transactions contemplated by the Amendment were consummated on January 29, 2001. The terms of the debentures were amended to, among other things, extend the maturity of the debentures from September 14, 2002 to September 14, 2005, to change the conversion price from $20.34 to $9.00 and modify the events of default. Warrants to purchase 202,802 shares of HAXS' common stock issued to the purchasers of the debentures were also amended to reduce the exercise price from $20.34 to $3.01 and to extend the exercise period of the warrants for an additional year, or until September 13, 2005.

The Company recorded an extraordinary gain on the restructuring of these debentures totaling $1,681 in the first quarter of 2001. The majority of this amount relates to the reversal of penalties accrued pursuant to a registration rights agreement between the Company and the debenture holders. Under the terms of the Amendment, these penalties were waived.

Note E - Employee Termination Agreement

On August 15, 2000, Alvin H. Clemens, the Company's then Chairman, and HAXS entered into an agreement terminating Mr. Clemens' employment contract. Under the terms of the termination agreement, Mr. Clemens will receive aggregate payments totaling $2,125 paid in quarterly installments over five years beginning in the first quarter of 2001. The Company may, at its option, make the quarterly payments in shares of HAXS common stock not to exceed a total of 500,000 shares. Mr. Clemens, at his option, may request that the Company pay 1/3 of the value of each payment in cash in lieu of stock to cover income tax liabilities. Except for the general release of Healthaxis, which became effective as of August 15, 2000, the termination agreement became effective upon consummation of the HAXS merger. The Company recorded $(118) and $2,007 in compensation expense during the three and the six months ended June 30, 2001, respectively, which is included in general and administrative expenses.

Note F - Stock Purchase

On April 6, 2001, fourteen members of the executive and senior management team, along with certain current and former directors, purchased 1,035,725 shares of the Company's common stock from an unrelated third party in a privately negotiated transaction. The purchase price was $.60 per share. The purchase was approved by the Board of Directors of HAXS, which on March 26, 2001 also approved a loan of $154 in aggregate to members of the management team for up to 50% of the purchase price of the stock, collateralized by 100% of the shares purchased by those managers borrowing funds. Interest is payable quarterly at an 8% rate per annum.

Note G - Restructuring Plan

In May of 2001, certain events as described below were concluded which lead management to question the long-term value of certain assets of Healthaxis. Accordingly, Management has prepared its evaluation of those assets and has concluded that in some cases there has, in fact, been an impairment of value. A description of the events resulting in the impairment follows:

At the time of the merger between Healthaxis.com and Insurdata, the combined entities had total cash and liquid investments of approximately $60.0 million. The Company believed that pursuant to its plans, the existing liquidity of the Company and the prospective operations of the combined entities would be sufficient to continue investing for the long-term. However, at March 31, 2001, the Company's cash and liquid investments were reduced to approximately $12.0 million through continuing losses and business investments.

On February 1, 2001, James W. McLane became the Chief Executive Officer of the Company. In light of the Company's existing financial condition, and because of the diminishing liquidity position, Mr. McLane was instructed by the Board of Directors to evaluate the Company's organization, business operations, and corporate strategy and to recommend changes to each as he believed necessary. On March 19, 2001, Mr. McLane hired a new Chief Financial Officer to assist in this process.

During May 2001, based on the evaluation of Mr. McLane and the senior management team, the Board of Directors accepted the recommendations of management that to reach profitability in an acceptable period of time and to reposition the Company for growth, certain significant actions were necessary. Accordingly, at a special meeting of the Board of Directors held on May 11, 2001, the Board approved a restructuring plan and realignment of operations modifying the structure and size of the organization. The plan included the following actions:

- Implementation of a reorganization plan which created four new business units, each with accountability for profitable operations beginning July 1, 2001
- Elimination of approximately 60 employee positions, primarily at its Irving, Texas and East Norriton, Pennsylvania offices;
- Relocation of the corporate headquarters from Pennsylvania to Texas; and
- Cessation of development and marketing of certain products.

On May 14, 2001, the Company's plan was implemented and approximately 60 employee positions were eliminated. The affected employees were notified of their termination, and their termination benefits were communicated to them. The restructuring plan has now been substantially completed.

APB Opinion No. 17, Intangible Assets, and SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of, require the review for impairment of long-lived assets and identifiable intangibles that are used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The May restructuring was the culmination of such events and, therefore, the Company recorded the appropriate write-downs and accruals in the second quarter of 2001.

Related to its restructuring and reorganization, the Company accrued or recorded restructuring charges of $282.5 million in the second quarter of 2001. Those costs are generally related to the following:

- o Severance cost for terminated employees - Approximately $350 of the restructuring charge relates to the elimination of approximately 60 positions and termination of approximately that number of employees on May 14, 2001. The Company has provided affected employees severance benefits which were generally determined on the basis of the employee's position and/or years of service at the Company. At a minimum, each employee was paid two weeks severance.

- o Relocation of the corporate headquarters - Approximately $1.7 million relates to the write down of the former corporate headquarters in Pennsylvania to its estimated realizable value. The Company's estimate of realizable value was based upon recent offers less estimated disposal costs.

- o Write down of long-lived assets - The Company abandoned the development and marketing of certain products that no longer fit into the Company's new business strategy and wrote off approximately $1.9 million of certain software and other capitalized costs.

- [X] Write down of Goodwill - The Company's accounting policy has been to review all long-lived and intangible assets on a quarterly basis for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As part of its restructuring and internal re-organization, management also evaluated enterprise level goodwill for impairment.

  During its evaluation of assets at June 30, 2001, the Company determined that certain events occurred in May 2001 that were indicators of potential impairment of the value of goodwill. During May 2001, it became apparent that previous growth expectations could not be met for several reasons, including:

  1. The restructuring, in general, which resulted in a change in the strategic focus of the Company. As noted above, the Company experienced significant management changes prior to May 2001, including a change in CEO, COO, CFO, and SVP of Sales. New management abandoned the development and marketing of certain products that no longer fit its business strategy and revised the Company's revenue growth expectations accordingly.

  2. A lack of readily available investment capital to fund previously anticipated growth. Previous plans anticipated the ability to obtain additional equity funding, if and when necessary, to sustain the growth model. The Company's new management team has determined that due to the current market, the availability of additional equity capital is less certain in the short term and that the Company's current cash on hand must be optimized. The restructuring of the Company was intended to serve this purpose.

  3. The E-Healthcare sector in which the Company operates is currently fragmented and volatile. The sector has been clouded by new entrants, consolidations, partnerships and failures which make it difficult to compare functions or evaluate redundancy. Volatility is evidenced by the significantly reduced stock prices and market capitalization levels of the Company's competitors. A recent Gartner report has predicted that vendors in this sector will be unstable through 2004. Gartner further projected that competition and solution redundancy will cause at least 60% of vendors existing in 2000 and 2001 to be acquired or fail by 2005. These conditions contrast dramatically with those conditions that existed at the time of the Insurdata merger in January 2000. While no assurances can be made regarding the Company's success, management believes that the restructuring has placed the Company in a position to withstand these volatile conditions.

  4. The slow-down in 2001 of the US economy has affected the spending capacity of Healthcare insurance companies on information technology solutions and has, therefore, lowered the Company's growth expectations from earlier projections at the time of the Insurdata merger in January 2000.

  The Company evaluated the book value of goodwill along with the estimated useful life of the asset (20 years). Based upon ongoing changes in the E-Healthcare marketplace, in addition to recent changes within the Company itself, management determined that it was appropriate to reduce the useful life of goodwill from 20 years to 10 years. The

Company initially evaluated the book value of goodwill using an estimate of the future undiscounted cash flows of the business enterprise over the adjusted estimated useful life. This analysis indicated that the goodwill was impaired. The Company then proceeded to analyze future cash flows on a discounted basis using a discount rate of 33%. The 33% discount rate was based upon a detailed analysis and the Company's current risk profile. The Company's future cash flows were estimated by management and included revenue growth rates ranging from 10% to 40%. However, no assurances can be made that these growth rates can be achieved. The analysis of discounted future cash flows resulted in a write down in the book value of goodwill totaling $277.2 million, which is included in restructuring and impairment charges.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Forward-Looking Statements

All statements and information contained in this document other than statements of historical fact, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors, and are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate, and which may cause actual results to be materially different from those contemplated by the forward-looking statements. In addition, many phases of the Company's operations are subject to influences outside its control including, but not limited to, disclosure related to the Restructuring Plan described below. Any one, or any combination of factors, described in other sections of this document or in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2000 could have a material adverse effect on the Company's results of operations.

Recent Developments

Healthaxis Merger with Healthaxis Acquisition Corporation

On January 26, 2001, the shareholders of HAXS and Healthaxis approved the merger of Healthaxis with a newly formed, wholly owned subsidiary of HAXS ("the HAXS Merger"). This transaction was completed pursuant to the terms of the Amended and Restated Agreement and Plan of Reorganization dated October 26, 2000. In accordance with the terms of the merger, as amended, HAXS issued 39,629,097 shares of its common stock to Healthaxis shareholders (a 1.334 to 1 ratio). In addition, HAXS issued 7,078,485 warrants and options to purchase HAXS common stock to holders of Healthaxis stock options and warrants which represented the number of Healthaxis options and warrants outstanding on the date of the merger effected for the merger ratio. The newly formed HAXS subsidiary was the surviving corporation of the merger and operates under the Healthaxis name.

Employee Termination Agreement

On August 15, 2000, Mr. Al Clemens, Healthaxis and HAXS entered into a termination agreement of Mr. Clemens' employment contract, which became effective upon the consummation of the HAXS Merger. Compensation expense totaling $2.1 million has been recorded in the first quarter of 2001.

Restructuring Plan

In May of 2001, certain events as described below were concluded which lead management to question the long-term value of certain assets of Healthaxis. Accordingly, Management has prepared its evaluation of those assets and has concluded that in some cases there has, in fact, been an impairment of value. A description of the events resulting in the impairment follows:

At the time of the merger between Healthaxis.com and Insurdata, the combined entities had total cash and liquid investments of approximately $60.0 million. The Company believed that pursuant to its plans, the existing liquidity of the Company and the prospective operations of the combined entities would be sufficient to continue investing for the long-term. However, at March 31, 2001, the Company's cash and liquid investments were reduced to approximately $12.0 million through continuing losses and business investments.

On February 1, 2001, James W. McLane became the Chief Executive Officer of the Company. In light of the Company's existing financial condition, and because of the diminishing liquidity position, Mr. McLane was instructed by the Board of Directors to evaluate the Company's organization, business operations, and corporate strategy and to recommend changes to each as he believed necessary. On March 19, 2001, Mr. McLane hired a new Chief Financial Officer to assist in this process.

During May 2001, based on the evaluation of Mr. McLane and the senior management team, the Board of Directors accepted the recommendations of management that to reach profitability in an acceptable period of time and to reposition the Company for growth, certain significant actions were necessary. Accordingly, at a special meeting of the Board of Directors held on May 11, 2001, the Board approved a restructuring plan and realignment of operations modifying the structure and size of the organization. The plan included the following actions:

- o Implementation of a reorganization plan which created four new business units, each with accountability for profitable operations beginning July 1, 2001
- o Elimination of approximately 60 employee positions, primarily at its Irving, Texas and East Norriton, Pennsylvania offices;
- o Relocation of the corporate headquarters from Pennsylvania to Texas; and
- o Cessation of development and marketing of certain products.

On May 14, 2001, the Company's plan was implemented and approximately 60 employee positions were eliminated. The affected employees were notified of their termination, and their termination benefits were communicated to them. The restructuring plan has now been substantially completed.

In total, counting the reduction-in-force and other contemplated expense reductions, the initiative was designed to save in excess of $11.0 million annually. There can be no assurances that the implementation of this initiative will result in this full amount of the savings.

APB Opinion No. 17, Intangible Assets, and SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of, require the review for impairment of long-lived assets and identifiable intangibles that are used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The May restructuring was the culmination of such events and, therefore, the Company recorded the appropriate write-downs and accruals in the second quarter of 2001.

Related to its restructuring and reorganization, the Company accrued or recorded restructuring charges of $282.5 million in the second quarter of 2001. Those costs are generally related to the following:

- o Severance cost for terminated employees - Approximately $350,000 of the restructuring charge relates to the elimination of approximately 60 positions and termination of approximately that number of employees on May 14, 2001. The Company has provided affected employees severance benefits which were generally determined on the basis of the employee's position and/or years of service at the Company. At a minimum, each employee was paid two weeks severance.

- o Relocation of the corporate headquarters - Approximately $1.7 million relates to the write down of the former corporate headquarters in Pennsylvania to its estimated realizable value. The Company's estimate of realizable value was based upon recent offers less estimated disposal costs.

- o Write down of long-lived assets - The Company abandoned the development and marketing of certain products that no longer fit into the Company's new business strategy and wrote off approximately $1.9 million of certain software and other capitalized costs.

- [X] Write down of Goodwill - The Company's accounting policy has been to review all long-lived and intangible assets on a quarterly basis for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As part of its restructuring and internal re-organization, management also evaluated enterprise level goodwill for impairment.

During its evaluation of assets at June 30, 2001, the Company determined that certain events occurred in May 2001 that were indicators of potential impairment of the value of goodwill. During May 2001, it became apparent that previous growth expectations could not be met for several reasons, including:

1. The restructuring, in general, which resulted in a change in the strategic focus of the Company. As noted above, the Company experienced significant management changes prior to May 2001, including a change in CEO, COO, CFO, and SVP of Sales. New management abandoned the development and marketing of certain

products that no longer fit its business strategy and revised the Company's revenue growth expectations accordingly.

2. A lack of readily available investment capital to fund previously anticipated growth. Previous plans anticipated the ability to obtain additional equity funding, if and when necessary, to sustain the growth model. The Company's new management team has determined that due to the current market, the availability of additional equity capital is less certain in the short term and that the Company's current cash on hand must be optimized. The restructuring of the Company was intended to serve this purpose.

3. The E-Healthcare sector in which the Company operates is currently fragmented and volatile. The sector has been clouded by new entrants, consolidations, partnerships and failures which make it difficult to compare functions or evaluate redundancy. Volatility is evidenced by the significantly reduced stock prices and market capitalization levels of the Company's competitors. A recent Gartner report has predicted that vendors in this sector will be unstable through 2004. Gartner further projected that competition and solution redundancy will cause at least 60% of vendors existing in 2000 and 2001 to be acquired or fail by 2005. These conditions contrast dramatically with those conditions that existed at the time of the Insurdata merger in January 2000. While no assurances can be made regarding the Company's success, management believes that the restructuring has placed the Company in a position to withstand these volatile conditions.

4. The slow-down in 2001 of the US economy has affected the spending capacity of Healthcare insurance companies on information technology solutions and has, therefore, lowered the Company's growth expectations from earlier projections at the time of the Insurdata merger in January 2000.

The Company evaluated the book value of goodwill along with the estimated useful life of the asset (20 years). Based upon ongoing changes in the E-Healthcare marketplace, in addition to recent changes within the Company itself, management determined that it was appropriate to reduce the useful life of goodwill from 20 years to 10 years. The Company initially evaluated the book value of goodwill using an estimate of the future undiscounted cash flows of the business enterprise over the adjusted estimated useful life. This analysis indicated that the goodwill was impaired. The Company then proceeded to analyze future cash flows on a discounted basis using a discount rate of 33%. The 33% discount rate was based upon a detailed analysis and the Company's current risk profile. The Company's future cash flows were estimated by management and included revenue growth rates ranging from 10% to 40%. However, no assurances can be made that these growth rates can be achieved. The analysis of discounted future cash flows resulted in a write down in the book value of goodwill totaling $277.2 million, which is included in restructuring and impairment charges.

Digital Insurance Amendments

On June 30, 2000, Healthaxis entered into an Asset Purchase Agreement to sell certain assets used in connection with its retail website to Digital Insurance, Inc ("Digital Insurance"). This transaction closed on October 13, 2000. The consideration received by Healthaxis at closing in return for those assets consisted of: $0.5 million in cash; a $0.5 million note; 11% of the outstanding shares of Digital Insurance, on a fully-diluted basis; and a portion of Digital Insurance's net commission revenues received by Digital Insurance through the acquired website user interface or an affinity partner indefinitely. Healthaxis has reported the operations of the retail website as discontinued operations as of the measurement date of June 30, 2000. Additionally, the Company recorded a loss on the sale of the discontinued operations as of June 30, 2000.

In connection with this sale, Healthaxis and Digital insurance entered into a Software Licensing and consulting Agreement that provides Healthaxis with: a perpetual nonexclusive license to use and sublicense, subject to certain restrictions, the user interface sold to Digital Insurance; licensing fees over 30 months of $3.0 million for software owned by Healthaxis that will be used by Digital Insurance in conjunction with the user interface it purchased; and professional service fees over 12 months starting July 2000 of a minimum of $3.0 million for services relating to customizing, maintaining and upgrading the user interface and other software.

Effective May 31, 2001, the Company entered into an Amended Asset Purchase Agreement and Amended Software Licensing and Consulting Agreement. Under the terms of these amendments, the Company agreed to settle all amounts due from

Digital Insurance (other than trade accounts receivable) under the original agreements for a lump sum cash payment of $2.0 million which approximated the Company's carrying values.

The following table (in thousands) shows the aggregate amounts paid by Digital Insurance, prior to and including the $2.0 million lump sum payment, as compared to the original contracted amount:

	Original Commitment	Amount Received
Purchase price	$ 1,000	$ 1,000
Professional services	3,000	3,000
License fees	3,000	813
Total	$ 7,000	$ 4,813

The amendment provides that in the event Digital Insurance has not completed an equity financing of at least $4.0 million on or before March 31, 2002, then Healthaxis shall be entitled to receive any and all amounts which would have otherwise become due under the original agreements, including accrued interest.

The amendments further require Digital Insurance to pay Healthaxis $100,000 per month effective June 1, 2001 continuing through the earlier to occur of either May 31, 2002, or the date Digital Insurance gives written notice to Healthaxis that Digital Insurance no longer utilizes the Non-Retail Presentation Layer Software and Other Common Modules as provided by Healthaxis. This $100,000 represents a guaranteed monthly minimum commitment and will cover a dedicated staff of approximately 5.5 FTEs (full time equivalents), Web hosting services, shared telecommunications cost, and rent and operating expenses in Healthaxis' East Norriton, PA facility.

In conjunction with management's review of long lived assets at June 30, 2001, a write down of the Company's investment in Digital Insurance totaling approximately $1.2 million was recorded during the second quarter of 2001. This write down was based upon the Company's current estimate of the investment's net realizable value.

NASDAQ Listing

On April 23, 2001, the Company was notified by NASDAQ that it had successfully complied with the exception rendered by the NASDAQ Listing Qualification's Panel (the "Panel") in January 2001. The Panel determined to continue the listing of the Company's common stock on the NASDAQ Stock Market.

Results of Operations

Six months ended June 30, 2001 compared to six months ended June 30, 2000.

The Company focuses its cost containment initiatives on operating cash expenses. Stock based compensation, amortization of intangible assets and the restructuring charge, with the exception of severance payments, are all non-cash expenses. The following table is therefore presented in such a manner that these expenses can be distinguished.

<TABLE>
<CAPTION>

	Six Months Ended, June 30, 2001 (in thousands)			
	Operating Costs	Depreciation/ Amortization	Stock Based Compensation	Total
<S>	<C>	<C>	<C>	<C>
Operating Expenses				
Cost of revenue	$ 20,415	$ 1,810	$ 630	$ 22,855
Sales and marketing	1,482	20	1,071	2,573
General and administrative	5,526	140	4,528	10,194
Research and development	833	68	20	921
Subtotal	$ 28,256	$ 2,038	$6,249	$ 36,543
Restructuring charge				282,464
Amortization of intangibles				11,505
Total operating expenses				$330,512

Six Months Ended, June 30, 2000 (in thousands)

	Operating Costs	Depreciation/ Amortization	Stock Based Compensation	Total
Operating Expenses				
Cost of revenue	20,856	1,945	2,143	$ 24,944
Sales and marketing	711	6	899	1,616
General and administrative	5,922	116	1,502	7,540
Research and development	228	58	0	286
Subtotal	$ 27,717	$2,125	$4,544	34,386
Restructuring charge				-
Amortization of intangibles				20,996
Total operating expenses				$ 55,382

</TABLE>

Revenues increased 3% from $21.7 million for the six-months ended June 30, 2000 to $22.3 million for the same period in 2001. The increase was primarily the result of new revenue generated from Digital Insurance and increased revenue from UICI, partially offset by loss of some data capture revenue.

Cost of revenues includes all expenses directly associated with the production of revenue, and consists primarily of salaries and related benefits, rent, amortization and depreciation, system expenses such as maintenance and repair, as well as other related consumables. These costs decreased 8% from $24.9 million for the six months ended June 20, 2000 to $22.8 million for the same period in 2001. Cost of revenue as a percentage of revenue declined from 115% in 2000 to 102% in 2001. A reduction of stock based compensation accounted for $1.5 million of the decrease. The remainder was due primarily to the reduced labor force and expense savings pursuant to the restructuring plan implemented in May 2001 as described above.

Sales and marketing expenses consist primarily of employee salaries and related benefits, as well as promotional costs such as direct mailing campaigns, trade shows and media advertising. These expenses increased from $1.6 million for the six-months ended June 30, 2000 to $2.6 million for the same period in 2001. Approximately $172,000 of the increase resulted from stock based compensation as result of an option re-measurement in January 2001 related to the HAXS merger. The remaining increase was due primarily to new sales initiatives and an increase in the number of sales and marketing staff from six to twelve in the corresponding periods. As part of the restructuring plan implemented in May 2001, the sales staff was transferred to the operating divisions to more closely align sales and delivery, and the staff was reduced to seven from twelve.

General and administrative expenses include executive management, accounting, legal and human resources compensation and related benefits, as well as expenditures for applicable overhead costs. These expenses were approximately $7.5 million for the six months ended June 30, 2000 compared to $10.2 million for the same period in 2001. Stock based compensation of approximately $1.5 million was included in 2000 as compared to $4.5 million in 2001 due primarily to the re-measurement of options exchanged in the HAXS merger. Severance expenses totaling $2.2 million are included in 2001, as compared to $0.5 million in 2000, primarily related to Mr. Clemens' severance agreement as described above.. After adjustment for these items, expenses have decreased significantly as result of the gradual reduction of management and corporate staff subsequent to the Insurdata merger in January 2000, and the restructuring plan implemented in May 2001.

Research and development expenses are primarily the salary and related benefits of personnel engaged directly in the development of new products and the enhancement of existing products, prior to the establishment of technological feasibility. These expenses increased from $286,000 for the six-months ended June 30, 2000 to $921,000 for the same period in 2001. The increase was due to an increase in the Advanced Technology Department staff from seven to fourteen and the nature and stage of the projects being developed. In 2000, most of the projects for this staff were either billable to clients or capitalized, and accordingly were excluded from research and development. In 2001, much of the effort of the staff was for the development for the Company's new, web-based products and is included in research and development expenses.

Restructuring and Impairment Charges were approximately $282.5 million during the six months ended June 30, 2001. These charges were recorded pursuant to the Company's adoption of an internal restructuring plan approved by the Board of Directors on May 11, 2001 and implemented on May 14, 2001. Approximately $277.2 million of this charge is attributable to the write-down of goodwill from $296.5 million to $19.3 million. The remainder is to record other costs of the restructuring including severance payments for terminated employees, costs associated with relocating the corporate headquarters from Pennsylvania to Texas and the reduction of other long lived assets, primarily resulting from the decision to cease development and marketing of certain products. See Restructuring Plan section above. There were no such charges during the comparable period in 2000.

Amortization of Intangibles Expenses related to the amortization of intangible assets include the amortization of developed software, customer bases and goodwill. These expenses decreased from $21.0 million for the six-months ended June 30, 2000 to $11.5 million for the same period in 2001. Predominantly all of the decrease was due to the revaluation of these assets at the time of the HAXS Merger on January 26, 2001. Due to the write down of goodwill in the second quarter of 2001, amortization will be significantly reduced in future periods.

Interest expense and other income, net changed from a net expense of $177,000 in the six-months ended June 30, 2000 to a net income of $70,000 in the same period in 2001. The change was due to a reduction of interest expense resulting from the settlement of the ceding commission liability with Hannover Re in the fourth quarter of 2000 and a reduction of the non-cash interest expense related to the amortization of the discount associated with the convertible debentures.

Minority interest in loss of subsidiary was $19.1 million for the six-months ended June 30, 2000 compared to $3.1 million for the same period in 2001. The reduction was due to the fact that the minority interest was only recorded for approximately one month (until the HAXS merger) in 2001, compared to the full six-month period in 2000. Subsequent to the HAXS merger, the Company owned 100% of the Healthaxis subsidiary and, therefore, no subsequent minority interest was recorded.

Net loss from discontinued operations of $9.1 million for the six months ended June 30, 2000 included a $2.8 million loss on the sale of certain assets to Digital Insurance and $6.3 million loss related to the operations that were discontinued. There were no such charges for the same period in 2001.

Extraordinary gain of $1.7 million in the six months ended June 30, 2001 is the result of the restructuring of the terms of the convertible debentures which was completed on January 29, 2001. The majority of this gain relates to penalties owed to the debenture holders under a registration rights agreement, which were forgiven as part of the restructuring of the terms.

Three months ended June 30, 2001 compared to three months ended June 30, 2000.

<TABLE>
<CAPTION>

	Three Months Ended, June 30, 2001 (in thousands)			
	Operating Costs	Depreciation/ Amortization	Stock Based Compensation	Total
<S>	<C>	<C>	<C>	<C>
Operating Expenses				
Cost of revenue	$ 9,903	$ 774	$ 189	$ 10,866
Sales and marketing	598	11	77	686
General and administrative	1,377	69	243	1,689
Research and development	315	34	10	359
Subtotal	$ 12,193	$ 888	$ 519	13,600
Restructuring charge				282,464
Amortization of intangibles				4,935
Total operating expenses				$300,999

	Three Months Ended, June 30, 2000 (in thousands)			
	Operating Costs	Depreciation/ Amortization	Stock Based Compensation	Total
Operating Expenses				
Cost of revenue	$ 10,610	$1,067	$1,246	$ 12,923
Sales and marketing	424	-	544	968
General and administrative	2,698	59	337	3,094
Research and development	114	31	0	145
Subtotal	$ 13,846	$1,157	$2,127	17,130

	========	======	======	========
Restructuring charge				-
Amortization of intangibles				10,498

Total operating expenses				$ 27,628
				========

</TABLE>

Revenues increased 11% from $10.4 million for the three months ended June 30, 2000 to $11.5 million for the same period in 2001. The increase was due primarily to the addition of the Digital Insurance contract, which totaled approximately $1.0 million for the second quarter of 2001. Increased revenue from UICI of $645,000 was largely offset by the loss of a data capture client.

Cost of revenues decreased 16% from $12.9 million for the three months ended June 30, 2000 to $10.9 million for the same period in 2001. Approximately $1.1 million of the decrease was due to a reduction in stock based compensation. The remainder was largely a result of the reduction in the labor force pursuant to the restructuring plan and a reduction in contract labor expenses.

Sales and marketing expenses decreased 29% from $968,000 for the three months ended June 30, 2000 to $686,000 for the same period in 2001. Excluding stock based compensation of $544,000 in 2000 and $77,000 in 2001, sales and marketing expenses increased $185,000. The increase is due to an increase in staff from six in early 2000 to twelve in April 2001. As part of the restructuring plan implemented in May 2001, the sales staff was transferred to the operating divisions to more closely align sales and delivery, and the staff was reduced to seven.

General and administrative expenses decreased 45% from $3.1 million for the three months ended June 30, 2000 to $1.7 million for the same period in 2001. A decrease in stock based compensation accounts for $93,000 of the difference. The balance was due to a reduction in the management overhead and corporate staff that existed after the Insurdata merger in January 2000.

Research and development expenses increased from $145,000 for the three months ended June 30, 2000 to $359,000 for the same period in 2001. The increase was due to the additional staff.

Restructuring and Impairment Charges were approximately $282.5 million during the three months ended June 30, 2001. These charges were recorded pursuant to the Company's adoption of an internal restructuring plan approved by the Board of Directors on may 11, 2001 and implemented on May 14, 2001. Approximately $277.2 million of this charge is attributable to the write-down of goodwill from $296.5 million to $19.3 million. The remainder is to record other costs of the restructuring including severance payments for terminated employees, costs associated with relocating the corporate headquarters from Pennsylvania to Texas and the reduction of other long lived assets, primarily resulting from the decision to cease development and marketing of certain products. See Restructuring Plan section above. There were no such charges during the comparable period in 2000.

Amortization of Intangibles decreased 53% from $10.5 million for the three months ended June 30, 2000 to $4.9 million for the same period in 2001. The reduction is due to the revaluation of goodwill and intangible assets resulting from the HAXS merger in January 2001. Due to the write down of goodwill in the second quarter of 2001, amortization will be significantly reduced in future periods.

Interest expense and other income, net decreased from income of $408,000 for the three months ended June 30, 2000 to $5,000 for the same period in 2001 due to the reduced cash reserves held by the Company and the loss of interest income from Digital Insurance in June 2001 as result of the amended agreements described above.

Minority interest in loss of subsidiary was $9.7 million for the three months ended June 30, 2000 compared to zero for the same period in 2001. Subsequent to the HAX merger on January 26, 20001, the Company owned 100% of the Healthaxis subsidiary and therefore no subsequent minority interest was recorded.

Net loss from discontinued operations of $5.4 million for the three months ended June 30, 2000 included a $2.8 million loss on the sale of certain assets to Digital Insurance and $2.6 million loss related to the operations that were discontinued. There were no such charges for the same period in 2001.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

Beginning in the first quarter of 2002, the Company will apply the new rules and perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. Upon adoption, the Company will no longer amortize its goodwill. No other significant impact is anticipated.

Liquidity and Capital Resources

General. A major objective of HAXS is to maintain sufficient liquidity to fund growth and meet all cash requirements with cash and short-term equivalents on hand plus funds generated from operating cash flow.

During the first quarter of 2001, the Company's cash reserves decreased $5.0 million from $17.2 million to $12.0 million. During the second quarter of 2001, cash reserves increased slightly from $12.0 million to $12.2 million. After adjusting for the $2.0 million lump sum payment from Digital Insurance as described above, cash used during the second quarter was approximately $1.8 million. The significant reduction of cash used quarter over quarter is the result of cost containment measures put in place following the HAXS Merger on January 26, 2001 and further savings recognized through the restructuring plan implemented on May 14, 2001. Management believes the full impact of the restructuring plan will be in effect in the third quarter of 2001.

The following table summarizes the significant changes in the Company's cash balances during the quarter ended June 30, 2001:

Cash on hand, March 31, 2001	$ 12,010
EBITDA for second quarter of 2000	(814)
Settlement with Digital	2,000
Changes in working capital	(326)
Collection of notes receivable, net	288
Capital expenditures	(229)
Investment in software and other	(741)
Cash on hand, June 30, 2001	$ 12,188

EBITDA represents the Company's net loss before interest, taxes and amortization adjusted for the Company's restructuring and impairment charges and severance expense.

Additionally, the Company has listed for sale its building in Pennsylvania, which is now carried on the books at $3.5 million, but has been previously appraised for $5.4 million. Management is aggressively pursuing this sale and expects the cash generated therefrom and current cash reserves will be sufficient to fund the HAXS operations for the foreseeable future.

Funding the Company's operations on a long-term basis will depend upon management's ability to continue controlling its costs (as described above in "Restructuring Plan") and to generate new revenues. There can be no assurances that the Company will be successful in achieving these goals. If external funds were necessary to support the Company's business operations, there can be no assurance that under current conditions such funds would be available or, if available, would not dilute shareholders' interests or returns.

Six months ended June 30, 2001 compared to six months ended June 30, 2000

Cash used in operating activities for the six months ended June 30, 2001 was $2.8 million as compared to $23.5 million for the same period in 2001. The reduced cash expenditure was the result of discontinuing the operations of the retail website effective June 30, 2000, and the combined effects of the cost containment measures put into place following the HAXS Merge on January 26, 2001 and savings resulting from the restructuring plan implemented May 14, 2001. Also contributing to the reduction of cash used was the positive impact of changes in working capital accounts, particularly accounts receivable and accounts payable.

Cash used in investing activities for the six months ended June 30, 2001 was $2.0 million as compared to $3.3 million for the comparable period in 2000. Approximately $2.1 million was provided in 2000 as result of cash acquired in the Insurdata merger in January 2000. Net of this Insurdata cash, the cash used in investing activities decreased $3.4 million primarily resulting from a decrease in capital expenditures for property and equipment.

Cash used from financing activities increased by $411,000 as result of $164,000 cash used in the six months ended June 30, 2001 as opposed to cash generated of $247,000 for the comparable period in 2000. The primary difference was the result of stock options exercised in 2000.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Exposure to market risk for changes in interest rates relate primarily to our short-term investments. We do not use derivative financial instruments. The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. Due to the nature of our investments, we believe that there is no material risk exposure.

The Convertible Debentures outstanding at June 30, 2001 are fixed rate obligations and would not be exposed to the impact of interest rate fluctuations. To the extent that the Company seeks to refinance these instruments, the prevailing market interest rates on replacement debt could exceed rates currently paid thereby increasing interest expense and increasing net loss.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved in normal litigation, including that arising in the ordinary course of its business. Management is of the opinion that no litigation will have a material adverse effect on the results of operations or financial position of the Company.

Item 2. Change in securities.

Not applicable

Item 3. Defaults Upon Senior Securities.

Not applicable

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

HAXS held an Annual Meeting of Shareholders on May 18, 2001, 2001, at which time the shareholders voted to elect eight directors to serve until the next Annual Meeting of Shareholders or until their successors are duly elected. The following table details the votes received in connection with the election of directors.
<TABLE>
<CAPTION>

Proposal	Shares Voted For	Percentage Voted For	Shares Voted Against	Shares Abstained	Broker Non-Votes
<S>	<C>	<C>	<C>	<C>	<C>
Election of Directors:	45,180,565	85.61%	43,830	-	-
Ashker	45,173,630	85.60%	50,765	-	-
Clemens	45,146,592	85.55%	77,803	-	-
Hager	45,176,865	85.60%	47,530	-	-
McLaughlin	45,180,565	85.61%	43,830	-	-
LeBaron	45,177,865	85.60%	46,530	-	-
Mutz	45,179,965	85.61%	44,430	-	-
McLane	45,180,365	85.61%	44,030	-	-
Maloney	45,178,349	85.61%	46,046	-	-

</TABLE>

Item 5. Other Information.

Effective April 27, 2001, Dennis Maloney resigned as the Chief Operating Officer of the Company and members of the existing management team assumed the day to day responsibilities. Mr. Maloney continues to serve on the Board of Directors.

Effective July 1, 2001, James W. McLane, the President and CEO of the Company, was elected as Chairman of the Board of Directors. He succeeded Michael Ashker who continues to serve on the Board.

Effective July 31, 2001 Michael G. Hankinson entered into a severance agreement pursuant to which he resigned as a full time executive officer of the Company. Mr. Hankinson shall remain as Secretary and General Counsel under a month to month retention arrangement. The severance agreement is attached as Exhibit 10.6 of this filing.

Effective August 1, 2001 the Company added Kevin F. Hickey and Kevin Brown to the Board of Directors. On the same day, Edward W. LaBaron, Jr. resigned from the Board.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

(10.1) Engagement Letter between Healthaxis Inc. and the Mega Life and Health Insurance Company dated May 29, 2001

(10.2) Amendment No. 2 to Asset Purchase Agreement with Digital Insurance effective May 31, 2001

(10.3) Amendment No. 2 to Software License and Consulting Agreement with Digital Insurance dated March 23, 2001

(10.4) Amendment No. 3 to Software License and Consulting Agreement with Digital Insurance dated May 31, 2001

(10.5) Amendment to Commercial Sublease Agreement with Digital Insurance effective June 1, 2001

(10.6) Severance Agreement for Michael G. Hankinson effective July 31, 2001

(b) Reports on Form 8-K:
The Company filed the following current report on Form 8K during the quarter ended June 30, 2001 to report:

(1) the Company's change of independent accountants filed on April 24, 2001

(2) the resignation of the Company's Chief Operating Officer filed on April 24, 2001

Signature

Pursuant to the requirements 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.

Healthaxis Inc.

Date: August 3, 2001 By: /s/ James W. McLane

James W. McLane, Chairman, President and Chief Executive Officer

Date: August 3, 2001 By: /s/ John Carradine

John Carradine, Chief Financial Officer, Principal Accounting Officer and Treasurer

EXHIBITS INDEX

Exhibit Number	Description
(10.1)	Engagement Letter between Healthaxis Inc. and the Mega Life and Health Insurance Company dated May 29, 2001
(10.2)	Amendment No. 2 to Asset Purchase Agreement with Digital Insurance effective May 31, 2001
(10.3)	Amendment No. 2 to Software License and Consulting Agreement with Digital Insurance dated March 23, 2001
(10.4)	Amendment No. 3 to Software License and Consulting Agreement with Digital Insurance dated May 31, 2001
(10.5)	Amendment to Commercial Sublease Agreement with Digital Insurance effective June 1, 2001
(10.6)	Severance Agreement for Michael G. Hankinson effective July 31, 2001

[GRAPHIC OMITTED]

May 29, 2001

The MEGA Life and Health Insurance Company
9151 Grapevine Highway
North Richland Hills, TX 76180
Attn: Mr. Phil Myhra
President

RE: Engagement Letter between Healthaxis, Inc. ("Healthaxis") and The MEGA Life and Health Insurance Company ("MEGA") regarding Microsoft Biztalk Server ("BTS") and Accelerator for HIPAA ("A4H") Product Integration Project (the "Project")

Gentlemen:

Thank you for selecting Healthaxis to assist MEGA with the above-referenced Project. As you know, Healthaxis is able to offer MEGA these services as a result of Healthaxis' participation in the Microsoft Early Adopter Program ("EAP") for the A4H product. As we have discussed, in order to include the Project for MEGA within the EAP program and in order to meet the aggressive time frames we are committing to below, we must limit the scope of our engagement to be very specific and restrict the personnel resources involved from all sides to ensure a small, cohesive and manageable team. This Engagement Letter sets forth the terms and conditions which will apply for the Project, all of which are as follows:

1. Scope of Services. The scope of services (the "Scope of Services") to be provided by Healthaxis in connection with the Project, as more particularly outlined in the Project Initiation Proposal attached hereto as Exhibit D, will be as follows:

(a) Healthaxis will acquire for UICI in UICI's name (a) the equipment identified in Exhibit A, (b) the Microsoft product licenses for the BTS and A4H software identified in Exhibit A (which will include all current HIPAA-mandated transaction sets) (collectively, the "BTS/A4H Product") in accordance with Microsoft's standard license terms for the BTS/A4H Product (including first year maintenance and support by Microsoft personnel for the BTS/A4H Product and upgrades and supplements to such BTS/A4H Product), and (c) all documentation associated with such equipment and software (the "Documentation"), it being acknowledged that the cost of such equipment, BTS/A4H Product and Documentation shall be included in the total fixed price for the Project as provided in Paragraph 7 hereof.

(b) Healthaxis will install the BTS/A4H Product on the equipment identified in Exhibit A attached hereto.

(c) Healthaxis will integrate the BTS/A4H Product with the MEGA Insurance Center Processor 1/PACE legacy claims system (the "Legacy System") to allow MEGA to electronically receive the following three (3) HIPAA-mandated transactions:

(i) the inbound X12N v4010 837 Institutional;

(ii) the inbound X12N v4010 837 Professional, and

(iii) the inbound X12N v4010 837 Dental.

In particular, Healthaxis will provide all professional services necessary to develop the BTS and A4H system and integrate the BTS/A4H Product to extract the EDI transaction sets for these three (3) inbound transactions (the 837-I, 837-P and 837-D), to warehouse the transactions, to map the data to the MEGA Legacy System format and then to deliver the transactions to the MEGA Legacy System for processing in the format currently used by that system. Data elements in these standard transactions that are not used by the MEGA Legacy System (if any) will not be mapped to the Legacy System. Data elements required for claim review and inclusion in workflow will either be added as a record addendum to the existing GCR52KSD format or created in a separate file for inclusion in MEGA's existing workflow and archive systems. Incorporation of the data elements in the workflow system will be the responsibility of Healthaxis AST and is excluded from the scope of Services for the Project. A schematic depicting the entire Scope of Services for the Project is attached hereto as Exhibit B.

(d) Healthaxis will provide scheduled training of and knowledge transfer to MEGA personnel and Healthaxis AST personnel assigned to MEGA with regard to the BTS/A4H Product and the HIPAA implementation guides published by WPC, all in accordance with the training schedule and training plan set forth on Exhibit C attached hereto. Without limiting the generality of the foregoing, scheduled training will consist of a 2-day EDI boot camp provided by WPC personnel and the BTS and orchestration boot camp provided by Healthaxis personnel (which will be conducted with the assistance of and participation of Microsoft personnel). AST personnel will also be invited to participate in any additional product specific training that Healthaxis may acquire from WPC or Microsoft during the Project. Knowledge transfer will occur as provided in Paragraph 4 hereof.

Although Microsoft's BTS/A4H Product includes all current HIPAA-mandated transaction sets, MEGA acknowledges its understanding that the Project and Scope of Services to be provided by Healthaxis pursuant to Engagement Letter does not cover any HIPAA-mandated transaction sets except for the three (3) specific transactions as provided in subparagraph (c) above. In addition, the Scope of Services to be provided by Healthaxis hereunder expressly does not include any modifications to the MEGA Legacy System for any purpose. To the extent Legacy System changes are required or desired to be undertaken in order to accept and process the output files from this Project, or as MEGA undertakes projects to receive or send other HIPAA transactions, these changes and these projects will be handled as separate projects managed and undertaken by the AST team resources under the Master Agreement.

2. Project Plan and Schedule.Attached hereto as Exhibit D is a complete Project Initiation Proposal setting forth the major milestone deliverables by Healthaxis in connection with the agreed Scope of Services (and certain AST parallel and subsequent projects), as well as the Project Schedule, which currently contemplates a final Project completion date of July 16, 2001. Certain deliverables and milestones will require the input or signoff by MEGA. MEGA agrees that its Designated Project Lead will provide all input and sign-offs on a timely basis as set forth in the Project Schedule, provided in all cases that as at such dates the services theretofore performed by Healthaxis are in compliance with the Scope of Services, the Project Plan, the Performance Criteria and the Project Schedule and in all other cases with the terms of this Agreement, which compliance may be verified by an independent adviser engaged by MEGA.

3. Performance Criteria; Testing. Healthaxis will perform the Scope of Services in such a fashion to meet the specific performance criteria (the "Performance Criteria") set forth on Exhibit E attached hereto. Testing will be conducted using a model office test environment with data captured and delivered from identified MEGA vendors using the X12N v4010 compliant format and successfully processed through the MEGA PACE and/or Processor 1 systems.

The Project will be deemed completed upon receipt of all of the following:

(i) EHNAC certification pursuant to STFCF of the three (3) HIPAA-mandated transactions covered by the Scope of Services;

(ii) Delivery of the equipment, software, and documentation identified in Exhibit A and certification that such equipment is fully functional and operating;

(iii) The Microsoft standard end user product licenses (which will be substantially in the form of such as attached hereto as Exhibit F) for the BTS/A4H Product shall have been executed by Microsoft and delivered to UICI;

(iv) The balance of the Scope of Services and deliverables as provided and described in Paragraph 1 hereof shall have been completed to the satisfaction of MEGA in accordance with the Performance Criteria as set forth in Exhibit E hereto;

(v) Healthaxis AST and MEGA signoff on satisfactory completion of training in accordance with the training plan and training schedule set forth in Exhibit C"; and

(vi) Signoff by MEGA that Model Office testing verifies the Scope of Services and deliverables, specifically addressing the following:

- Full cycle processing through the MEGA PACE and/or Processor 1 system, data validation and transformation including eligibility verification and repricing status. MEGA acknowledges that completion of modifications to the MEGA PACE and/or Processor 1 system which are required to meet this completion criteria (if any) will remain a Healthaxis AST responsibility and are not included in the fixed price Project.

- Completion of PACE/Processor 1 modifications required to process the three (3) HIPAA-mandated transactions. MEGA acknowledges that completion of modifications to the MEGA PACE and/or Processor 1 system which are required to meet this completion criteria (if any) will remain a Healthaxis AST responsibility and are not included in the fixed price Project.

- Incorporation of claim information into the MEGA workflow system and additional reporting or enhancements not required for EDI processing, completion of which MEGA acknowledges will remain a Healthaxis AST responsibility and is not included in the fixed price or Scope of Services or Project deliverables but will be required prior to Project implementation.

4. Resources and Project Management. The Project is being undertaken at the request of Healthaxis in order to enable Healthaxis to obtain valuable experience in working with Microsoft in the EAP for the A4H product. As such, Healthaxis will be working closely with personnel from the Microsoft Consulting Services Health Care Group and the Microsoft BTS and A4H product teams, which have committed resources to the Project pursuant to a separate arrangement between Healthaxis and Microsoft. In addition, WPC, as both a subcontractor to Microsoft and as a direct consultant to Healthaxis, has committed certain resources to the Project by separate arrangement with Healthaxis. The Healthaxis Project resources will consist of the Healthaxis e-Transport team, certain ATD resources, the Healthaxis HIPAA team and other designated resources on an as-needed basis. Healthaxis acknowledges that it gave MEGA very little time to review and understand the EAP for the A4H product proposal. Healthaxis asked MEGA to move much more rapidly than would be typical or customary in a technology project of this nature, primarily for the benefit of Healthaxis. Healthaxis understands that MEGA must give priority to running its business, paying claims and servicing its insured customers. Healthaxis agrees to provide MEGA all reasonable opportunity during the Project, either through AST personnel or through outside consultants, to analyze and review the impact the Project has or might have on MEGA's business and to take all reasonable and appropriate steps to ensure that MEGA's business continues in an uninterrupted and in the ordinary course.

MEGA shall designate the senior project managers depicted in the Project Organization Chart in the Project Initiation Proposal as its "Designated Project Leads" and sufficient technical resources to participate in scheduled training and knowledge transfer from the core Healthaxis Project team. The MEGA Designated Project Leads will serve as the sole points of contact for MEGA on the Project. The additional technical resources (including AST resources and any outside consultants working for MEGA) will be entitled to monitor and review progress on the Project, to observe the delivery efforts of the core Healthaxis team, and to participate in training sessions which are to be held during the Project with regard to BTS, A4H and or the HIPAA implementation guides published by WPC. Training and knowledge transfer will be focused in the areas of EDI mapping and BTS orchestration (workflow). Healthaxis will designate a single designated Project team member to serve as the lead point of contact for all training and knowledge transfer activities.

During the Project, any and all contact by MEGA or MEGA personnel with Microsoft or WPC on or related to the Project shall be made through Healthaxis. Notwithstanding the foregoing, Healthaxis will make all reasonable efforts to facilitate the participation of the MEGA Designated Project Lead in meetings and communications involving Healthaxis, Microsoft and/or WPC when relevant to the delivery of the Scope of Services on behalf of MEGA or when relevant to continuing to operate MEGA's business in the ordinary course in conjunction with the EPA for A4H project (in contrast to meetings and communications related to Microsoft and/or WPC product development issues arising as a result of the Healthaxis EAP arrangement with these parties).

Healthaxis acknowledges and agrees that one of the key objectives for this Project is that MEGA/AST personnel will be able to support the BTS and A4H products and undertake additional projects based on these products with limited or no support from Healthaxis' other resources. As a result of this process and staffing arrangement, Healthaxis will be permitted to focus on the Project and its commitments under the EAP program, while at the same time permitting and facilitating the maximum training and knowledge transfer to the MEGA/AST team resources so that MEGA/AST will be positioned to leverage MEGA's investment in the BTS/A4H Product, and to develop MEGA's own relationship with Microsoft for ongoing services, support and assistance directly from Microsoft. Following completion of the Project, Healthaxis will make its core Project team resources available on an ongoing basis to assist MEGA/AST with their initiatives in these areas upon request. All such post-Project services will be governed by the Master Agreement.

5. Publicity. Upon completion of the Project in compliance with the Scope of Services, the Project Plan, the Performance Criteria and the Project Schedule, MEGA will be entitled to participate in the preparation of any joint press releases and other publicity that Healthaxis, Microsoft and/or WPC may disseminate regarding the Project; provided, however that no press release or other publicity may be disseminated with respect to the Project by any party without the prior written consent of MEGA. Provided that the Project is successfully completed in compliance with the Scope of Services, the Project Plan, the Performance Criteria and the Project Schedule, MEGA agrees to participate in the preparation of a written case study by Microsoft for publication. Except for these coordinated press activities upon completion of the Project, neither Healthaxis nor MEGA shall be entitled to disclose to any third party (other than Microsoft or WPC or any third party adviser engaged by MEGA) its participation in, or any details concerning, the Project without the prior written consent of the other party. Healthaxis shall cause Microsoft and WPC to be subject to a similar restriction in Healthaxis' agreements with such parties, and MEGA shall cause any third party adviser engaged by MEGA to be subject to a similar restriction in MEGA's agreement with such third party. Notwithstanding the foregoing, nothing hereunder shall restrict MEGA or Healthaxis from disclosing its participation in the Project if such party is otherwise compelled to do so by law or governmental authority.

6. Non-Disturbance. Healthaxis agrees, and will cause Microsoft and WPC and any other subcontractor involved in providing services to MEGA through Healthaxis in connection with the Project to agree, to undertake the Scope of Services in connection with the Project in a manner that will not interfere with, disrupt or disturb in any respect the regular ongoing business activities of MEGA, including without limitation MEGA's underwriting, actuarial, claims administration and claims paying and servicing activities and/or MEGA's computer and information technology systems. In connection therewith, Healthaxis agrees to indemnify and hold MEGA and MEGA's employees, officers, directors and sole shareholder harmless from and against any and all losses, damages (including, without limitation, actual damages, compensatory damages, punitive damages and extra-contractual damages), liabilities, penalties, costs and expenses (including, without limitation, attorneys' fees, investigation costs and all other reasonable costs associated with the defense thereof), as incurred, arising out of or relating to Healthaxis' violation of the covenant contained in this Paragraph 6.

7. Project Fees. The total fixed price for the Project payable by MEGA to Healthaxis shall be $515,000.00, payable as follows:

(i) $175,000.00 shall be payable simultaneously with the execution of this Engagement Letter;

(ii) $170,000.00 shall be due and payable upon delivery of the gold code for beta testing as provided in the Project Plan (which is expected to be on or before June 22, 2001); and

(iii) $170,000.00 shall be due and payable upon satisfaction of all conditions to completion of the Project as provided in Paragraph 3 hereof.

Project fees shall expressly cover the equipment, Documentation, and software identified in Exhibit A, the Microsoft standard product licenses for the BTS/A4H Product for this specific equipment configuration, and the balance of the Scope of Services as provided and described in Paragraph 1 hereof. The $515,000.00 fixed price covers the services provided by the core Healthaxis Project team only and does not include the costs of the MEGA/AST team personnel involvement, which costs will continue to be billed to MEGA on a monthly basis. Services not expressly included in the Scope of Services as provided for in this Engagement Letter, and services that are expressly excluded, will not be and are not covered by the fixed price as provided for in this Engagement Letter.

Notwithstanding anything in the foregoing to the contrary, if the Project shall not have been completed in accordance with Paragraph 3 hereof on or before August 15, 2001, then in such event the obligations of MEGA hereunder shall terminate and shall be of no further force or effect; provided, however, MEGA shall have taken title to and possession of the equipment, BTS/A4H Product Software, Documentation, and work performed to date as identified in Paragraph 1 and Exhibit A hereto.

This Engagement Letter constitutes a Fixed-Price Project pursuant to the Information Technology Services Agreement between UICI and Healthaxis dated January 3, 2000 (the "Master Agreement"). Any additional services beyond the Scope of Services expressly set forth in this Engagement Letter will be governed by the Master Agreement unless expressly agreed to otherwise by the parties in writing.

If the above meets with your approval, please execute this Engagement Letter in the space provided below to indicate MEGA's acceptance and agreement to same. Please return one fully executed original to us.

Once again, thank you for selecting Healthaxis to provide the services described herein.

Healthaxis, Inc.

By: -----------------------------------

Its: -----------------------------------

The MEGA Life and Health Insurance Company

By: -----------------------------------

Its: -----------------------------------

Exhibits:	Exhibit A:	Schedule of Project Equipment, Documentation, and Software
	Exhibit B:	Schematic Depicting Project Scope of Services
	Exhibit C:	Training Schedule and Training Plan
	Exhibit D:	Project Initiation Proposal
	Exhibit E:	Performance Criteria
	Exhibit F:	Form of Microsoft End User Product Licenses

Exhibit A

EQUIPMENT and SOFTWARE

BTS and A4H Hardware:
BTS Server
Compaq Proliant DL380 (1GHz single CPU - Upgradeable to 2)
1GB Total Ram
(3)18.2 GB - 15,000RPM Ultra3 SCSI Drives (Configured to RAID 5)
Hot Redundant PWS
Dual Redundant NIC

BTS and A4H Software:
Microsoft Accelerator for HIPAA (BTS-A4H)
Microsoft BTS Enterprise (single CPU License)
Microsoft Windows 2000 Advanced Server
Microsoft SQL Server 2000
GAP Analysis testing tool
Desktop compliance testing tool
12 HIPAA Compliant Transaction Sets
Complete WPC HIPAA Documentation Data Element Enabled

Additional Hardware Added after 5/11/01 meeting with AST:
Proliant ML 370 (Dual - 1GHz CPU's)
2GB Total SD RAM
(6) 36.4 GB - 10,000RPM Ultra3 SCSI Drives (Configured to RAID 5)
Hot Redundant PWS
Dual Redundant NIC

Note: Included software licenses are for the specified Equipment Configuration only and includes first year maintenance on the A4H software product.

EXHIBIT B
Schematic Depicting Project Scope of Services

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<S>                            <C>                                     <C>                <C>                    <C>
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Internet  --------                 HTTPS                                                 /  |  WORKFLOW
                   |           alt (SMIME)                                              /   |  Reports
                   |      alt (FTP w/encryption)                                       /    -----
                   |                                                    BTS A4H       /
       -------------------------                                   |---------------| /
       |                       |           File Drop               |    BizTalk    |
       | EDI Data Landing Zone |---------------------------------->|    Server     |
       |                       |                                   |  Accelerator  |
       -------------------------                                   |      for      |
                                                                   |     HIPAA     |
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                                       | BisTalk                                                  |
                                       |  Server                                                  |
                                       |              ------                                      |    Transaction ID Added
                                       |             |      | ------------------------------------|---  (Mainframe Object ID)
                                       |             |      |                                     |
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                                       |                |           ------                        |    Data Warehouse
                                       |                |          |      | ----------------------|---  *Reporting
                                       |                 --------->|      |-----|                 |        *DACS
                                       |                            ------      v                 |
                                       |                                      ------              |
                                       |                                     |      |-------------|--- De-Identified Data
                                       |                            -------- |      |             |        Warehouse
                                       |                           |          ------              |          *DACS
                                       |                           v                              |     *Utilities (DTS)
                                       |                         ------                           |
                                       |                        |      |--------------------------|--- Business Rules Applied to
                                       |              ----------|      |                          |           Transactions
                                       |             |           ------                           |
                                       |             v                                            |
                                       |           ------                                         |
            Map to File Layout for ----|--------- |      |                                        |
                 Mainframe             |          |      |                                        |
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                                                                             v
                                                              ----------------------------
                                                             |        File Output/        |      ---------------
                                                             |       Batch Builder        |----> 837 Delivered |
                                                             |     Move to Mainframe      |     |    to PACE   |
                                                             |  File Rules for PACE Drop  |      ---------------
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</TABLE>

EXHIBIT C

Training Schedule and Training Plan

-EDI Boot Camp: (2 full days), Tentative Date 06/08
-Attendees: Seven (7) Healthaxis AST and MEGA Resources

-BTS Mapper and A4H: (2 full days), Date 05/24-25
-Attendees: 4 Healthaxis AST Resources

-BTS Orchestration (2 full days), Date 5/30-31
-Attendees: 2 Healthaxis AST Resources

-MF-Pace Integration, Date to be Determined (Joint AST and Health Axis)
-Attendees: Seven (7) Healthaxis AST and MEGA Resources

Goal is to provide the Healthaxis AST and MEGA Team with the knowledge and resources to be autonomous in using A4H and BTS functionality and have the ability to add transactions into and out of the MEGA mainframe legacy systems.

EXHIBIT D

Project Initiation Proposal

EXHIBIT E

Performance Criteria

-Volume, Training, Sign-off, EHNAC Certification

-2 Servers and 2 Licenses

-30,000 HIPAA compliant 837 Completed in six (6) hours processed thru BTS A4H

EXHIBIT F

Microsoft End User A4H/BTS Product Licenses

TO BE ATTACHED

AMENDMENT NO. 2 TO ASSET PURCHASE AGREEMENT

This AMENDMENT No. 2 TO ASSET PURCHASE AGREEMENT (this "Amendment") is executed as of the 31st day of May, 2001, by and between Digital Insurance, Inc., a Delaware corporation ("Digital"), and HealthAxis.com, Inc., a Pennsylvania corporation ("HealthAxis").

W I T N E S S E T H:

WHEREAS, Digital and HealthAxis have executed that certain Asset Purchase Agreement dated June 30, 2000, as previously amended by that certain Amendment to Asset Purchase Agreement dated September 15, 2000 (collectively, the "Asset Purchase Agreement"); and

WHEREAS, the parties desire to further amend the Asset Purchase Agreement as set forth herein.

NOW THEREFORE, in consideration of Ten Dollars ($10.00), and the mutual covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Prepayment of Promissory Note by Digital. Notwithstanding Section 3.1(a) of the Asset Purchase Agreement, and subject to the provisions of Section 4 of this Amendment, Digital has paid, and HealthAxis has accepted, a total aggregate payment of $2,000,000.00 as payment in full of (i) all remaining principal and interest thereon due to HealthAxis pursuant to the Promissory Note dated June 30, 2000, as delivered to HealthAxis in accordance with Section 3.1(a) of the Asset Purchase Agreement, and (ii) certain other amounts due to HealthAxis as described in that certain Amendment No. 3 to Software License and Consulting Agreement which is being entered into simultaneously herewith by Digital and HealthAxis which relates to the Software License and Consulting Agreement dated as of June 30, 2000 between Digital and HealthAxis, as amended by that certain Amendment to Software License and Consulting Agreement dated as of September 15, 2000 and Amendment No. 2 to Software License and Consulting Agreement dated as of March 31, 2001 (collectively, the "License and Consulting Agreement") . As a result, and except as expressly provided in Section 4 of this Amendment, no further amounts are due to HealthAxis pursuant to the Promissory Note or Section 3.1(a) of the Asset Purchase Agreement. HealthAxis acknowledges and agrees that, except as otherwise provided in Section 4 below, said $2,000,000 represents full and final payment for the "Assets" sold to Digital under the Asset Purchase Agreement and full and final payment for the "License Fee" and previously deferred "Service Fees", including interest on all such amounts, under the License and Consulting Agreement.

2. Mutual Release for Certain Payment Obligations. Except for the continuing obligations of both HealthAxis and Digital as provided in the Asset Purchase

Agreement, and except as expressly provided in Section 1 above and this Section 2, HealthAxis and Digital do hereby release and discharge the other from any and all payment obligations whatsoever as contained in the Asset Purchase Agreement arising prior to June 1, 2001. Notwithstanding the preceding sentence, (i) HealthAxis acknowledges and agrees that it will remain responsible for payment of any amounts due to Student Advantage arising out of the claim for $50,000.00 being made by Student Advantage for advertising service fees, and Digital shall have no responsibility for any such payment or claims related thereto and (ii) Digital acknowledges and agrees that it shall remain obligated to pay all amounts due to HealthAxis based upon commission revenues pursuant to Section 3.4 of the Asset Purchase Agreement, including those arising prior to June 1, 2001. In connection with the above, Digital agrees that it will cooperate with HealthAxis in seeking to minimize the amounts HealthAxis actually pays to Student Advantage to settle the claim. With regard to the commission revenue payments pursuant to Section 3.4 of the Asset Purchase Agreement, HealthAxis and Digital agree that they will treat all amounts previously paid as final and will not contest the accuracy of such amounts. However, going forward Digital will report, calculate and pay the commission revenue payments strictly in accordance with the provisions of Section 3.4 of the Asset Purchase Agreement.

3. Financials. In connection with HealthAxis' ownership of Common Stock of Digital, so long as HealthAxis owns at least 500,000 shares of Digital Common Stock, Digital will provide quarterly financial reports to the Healthaxis Chief Financial Officer within 30 days of the end of each quarter, which reports HealthAxis shall keep confidential except for information that Digital has made available to the public.

4. Additional Funding Requirement. HealthAxis has agreed to the terms and conditions contained in this Amendment based upon Digital's representations that the agreements contained herein would enhance Digital's ability to raise additional funding. Accordingly, notwithstanding anything in this Amendment to the contrary, in the event Digital has not completed an additional round of funding by raising at least $4,000,000 on or before March 31, 2002 (the "Additional Funding Requirement"), then HealthAxis shall be entitled to receive any and all amounts (including accrued interest) which would have otherwise become due under the Promissory Note as if this Amendment had never been entered into. The Additional Funding Requirement shall also be deemed satisfied if Digital enters into a merger or other business combination transaction which has the net effect of increasing Digital's cash position by at least $4,000,000 (the surviving entity in the merger or other transaction has cash equal to the cash position of Digital immediately prior to the merger or other transaction plus at least $4,000,000) on or before March 31, 2002. If Digital fails to satisfy the Additional Funding Requirement, Digital would be entitled to credit for the $2,000,000.00 paid herewith against such unpaid amounts that would otherwise have become due under the Promissory Note and against any remaining License Fee and previously deferred Service Fees that would otherwise have become due under the License and Consulting Agreement (as applicable). Digital may, at any time, give written notice to HealthAxis that Digital no longer utilizes the Non-Retail Presentation Layer Software and Other Common Modules, and in such case, no further payments shall be due under this Section regardless of whether an

Additional Funding Event occurs on or before March 31, 2002, and the license granted to Digital in the License and Consulting Agreement shall be deemed automatically terminated for all purposes.

5. Full Force and Effect. The Asset Purchase Agreement, as amended hereby, shall remain in full force and effect, and all capitalized terms as used herein shall have the meaning as defined in the Asset Purchase Agreement. To the extent there are any inconsistencies between the terms of this Amendment and the terms of the Asset Purchase Agreement, the terms of this Amendment shall prevail.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives effective as of the date first above written.

DIGITAL INSURANCE, INC.	HEALTHAXIS.COM, INC.
BY:___________________________	BY: ________________________
THOMAS O. USILTON PRESIDENT & CEO	JAMES W. MCLANE PRESIDENT & CEO

AMENDMENT No. 2 TO SOFTWARE LICENSE
AND CONSULTING AGREEMENT

This AMENDMENT No. 2 TO SOFTWARE LICENSE AND CONSULTING AGREEMENT (this "Amendment No. 2") is executed as of the ____ day of ____________, 2001, by and between Digital Insurance, Inc., a Delaware corporation ("Digital"), and HealthAxis.com, Inc., a Pennsylvania corporation ("HealthAxis").

W I T N E S S E T H:

WHEREAS, Digital and HealthAxis have executed that certain Software License and Consulting Agreement dated June, 30, 2000 (the "Software License and Consulting Agreement") and that certain Amendment to Software License and Consulting Agreement ("Amendment No. 1") (the Software License and Consulting Agreement, as amended by Amendment No. 1 thereto, is hereinafter referred to as the "Existing Agreement");

WHEREAS, the parties desire to amend further the Existing Agreement as set forth herein;

NOW, THEREFORE, in consideration of $10.00 and the mutual covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

Section 1. Amendments to Existing Agreement.

(a) Section 4.1 is hereby deleted in its entirety and replaced with the following:

"4.1 License Fee and Payment. In consideration of the grant of the license by HealthAxis as provided in Article II, Digital shall pay to HealthAxis a License Fee (herein so called) in the total amount of Three Million Dollars ($3,000,000) which shall be payable in installments and on the dates set forth below, plus fixed simple interest accrued on the entire unpaid balance of the License Fee at 9.5% per annum:

Principal Amount	Due Date
$375,000	April 10, 2001
$375,000	July 10, 2001

$100,000	October 10, 2001
$650,000	January 10, 2002
$375,000	April 10, 2002
$375,000	July 10, 2002
$375,000	October 10, 2002
$375,000	January 10, 2003

Accrued interest on the outstanding balance shall commence as of July 1, 2000 and shall be paid at the time of payment of the outstanding principal amount."

(b) Section 5.5, as amended by Amendment No. 1, is further revised to provided that the payments specified to be made for September, 2001 and for October, 2001, shall be made on December 1, 2001.

Section 2. Full Force and Effect. The Existing Agreement, as amended hereby, shall remain in full force and effect. To the extent there are any inconsistencies between the terms of this Amendment No. 2 and the terms of the Existing Agreement, the terms of this Amendment No. 2 shall prevail.

Section 3. Counterparts. This Amendment No. 2 may be executed in several counterparts, each of which when fully executed shall be an original, and all such counterparts taken together shall be deemed to constitute one and the same amendment. Delivery of any signature page via telecopy or other electronic facsimile transmission shall be deemed equivalent to physical delivery of the original signature page. Any signature page of any counterpart hereof, whether bearing an original signature or an electronic facsimile transmission of a signature, may be appended to any other counterpart hereof to form a completely executed counterpart hereof.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 2 to be executed by their duly authorized representatives effective as of the date first above written.

DIGITAL INSURANCE, INC.

BY:____________________________
THOMAS O. USILTON
President & CEO

HEALTHAXIS.COM, INC.

BY: _________________________
MICHAEL ASHKER
President & CEO

AMENDMENT NO. 3 TO SOFTWARE LICENSE
AND CONSULTING AGREEMENT

This SECOND AMENDMENT TO SOFTWARE LICENSE AND CONSULTING AGREEMENT (this "Amendment") is made as of this 31st day of May, 2001, by and among Digital Insurance, Inc., a Delaware corporation ("Digital"), and HealthAxis.com, Inc., a Pennsylvania corporation ("HealthAxis").

W I T N E S S E T H:

WHEREAS, Digital and HealthAxis have previously entered into that certain Software License and Consulting Agreement dated June 30, 2000, as previously amended by that certain Amendment to Software Licensing and Consulting Agreement dated September 15, 2000, and that certain Amendment No. 2 to Software License and Consulting Agreement dated March 31, 2001 (collectively, the "License and Consulting Agreement"), and they now desire to further amend the License and Consulting Agreement to reflect the modifications to such agreement as provided in this Amendment.

NOW THEREFORE, in consideration of Ten Dollars ($10.00), and the mutual covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree to amend the License and Consulting Agreement as follows:

1. Prepayment of License Fees by Digital. Notwithstanding Section 4.1 of the License and Consulting Agreement, and subject to the provisions of Section 7 of this Amendment, Digital has paid, and HealthAxis has accepted, a total aggregate payment of $2,000,000.00 as payment in full of (i) all remaining amounts due to HealthAxis for the License Fees and previously deferred Service Fees, including interest on all such amounts, pursuant to Sections 4.1, 5.4 and 5.5 of the License and Consulting Agreement, and (ii) certain other amounts due to HealthAxis as described in that certain Second Amendment to Asset Purchase Agreement which is being entered into simultaneously herewith by Digital and HealthAxis. As a result, and except as expressly provided in Section 7 of this Amendment, no further License Fee payments or previously deferred Service Fees (or interest thereon) are or shall become due and payable by Digital.

2. Ongoing Fees; Revised Minimum Commitment. Upon payment by Digital of the amount of $284,587.60 for the Service Fees (which amount includes dedicated staff as well as rent, hosting fees, telecom charges and other costs and expenses as shown on the invoice for May) payable for the month of May, 2001 (and resolution of payment of any disputed amounts from the April, 2001 invoice), Digital shall be deemed to have met its minimum commitment for

dedicated services as originally provided in the License and Consulting Agreement through May 31, 2001 and, subject to Section 7 below, Digital shall be deemed to have satisfied its obligations under Section 5.4(a) and (b) of the License and Consulting Agreement. Digital agrees to resolve any disputes regarding the April invoice and pay all of these amounts on or before June 10, 2001. Thereafter, effective June 1, 2001, and notwithstanding any provisions of the License and Consulting Agreement to the contrary, Digital and HealthAxis hereby agree to the following amended payment and Services provisions:

(a) Digital agrees to pay Healthaxis $100,000 per month effective June 1, 2001, and payable on the tenth (10th) day of each month, continuing through the earlier to occur of either (i) May 31, 2002, or (ii) the date Digital gives written notice to HealthAxis that Digital no longer utilizes the Non-Retail Presentation Layer Software and Other Common Modules as provided in Section 7 below. This $100,000 represents a revised guaranteed monthly minimum commitment by Digital for the period specified in the preceding sentence and will cover the following expenses and Services:

(i) Dedicated technical staff (technical support and development) as further described in Subsection (b) below;

(ii) Website Hosting Services as defined in Section 5.1(b) of the original License and Consulting Agreement except for (x) the hosting services for the California version 2.0 site which has previously been discontinued and is no longer part of the Services, and (y) the split screen/link from the HealthAxis.com site to the DigitalInsurance.com site which will no longer be provided as part of the Services;

(iii) shared telecommunications costs as described in Section 5.6 of the License and Consulting Agreement associated with the Website Hosting Services; and

(iv) Rent and operating costs for the East Norriton, PA facility (as long as Digital Insurance is a tenant) pursuant to that certain Commercial Sublease Agreement between HealthAxis and Digital dated July 1, 2000, including, but not limited to, office rent, office operating costs and telecommunications costs (but excluding local and long distance charges which shall be the responsibility of, and paid directly by, Digital).

(b) The balance of the $100,000 per month after the other expenses described above will cover approximately 5.5 FTEs (based on current rent and operating expense run rates) who will be dedicated to Digital support. This dedicated staff headcount may increase at such time as Digital Insurance is no longer a tenant in the Healthaxis East Norriton facility, and that portion of the $100,000 per month previously allocated to rent and operating expense is freed up. The dedicated staff headcount may also decrease if rent or other covered expenses increase. The personnel rate applied to dedicated staff for purposes of this Subsection 2(b) shall be $79.00 per dedicated person per hour.

(c) Healthaxis and Digital agree that the commitment of $100,000 per month is a guaranteed minimum commitment by Digital for the period set forth in Section 2(a) of this Amendment, and Digital shall have no right to terminate the Services Term during such period pursuant to Section 7.2(b) of the License and Consulting Agreement. Healthaxis will invoice Digital each month for this amount with an accounting of Healthaxis' actual expenses (such as rent, operating expense, and telecommunications costs) and the value (at the rates stated herein) of Healthaxis professional services provided by the dedicated staff. In each month that the sum of the actual expenses and the value of the dedicated staff professional services exceed the $100,000 commitment, the excess will be carried forward as a debit to the next month. In each month that the sum of the actual expenses and the value of the dedicated staff professional services is less than the $100,000 commitment, the remainder will be carried forward as a credit to the next month. The detail amounts shown on each monthly invoice will be deemed conclusive unless contested by Digital in writing within fifteen (15) days of the invoice date. In addition, it is the intention of the parties that any monthly variances between the invoice amounts and the $100,000 will be minimal, and HealthAxis and Digital will reconcile all debits and credits as shown on the monthly invoices before the end of each calendar year (or any earlier termination of the License and Consulting Agreement); provided that HealthAxis shall have received not less than the guaranteed minimum amount for each month after all debits and credits are reconciled. If HealthAxis fails to provide any of the services specified in the Commercial Sublease Agreement or Schedule 1 thereto, Digital shall have the right, after giving notice to HealthAxis, to supply such services and Digital's cost therefor shall be included in the monthly reconciliation specified above.

(d) To the extent Digital requests Services which require resources in excess of the dedicated staff provided pursuant to Subsection 2(b) above, Healthaxis will provide such resources to Digital (subject to availability of such resources) at a composite rate of $100.00 per hour per person. These Services may include, but are not limited to, any additional resources as may be requested by Digital to (i) perform the ongoing support and carrier integration services at the same level and speed with which the prior larger dedicated staff was able to perform, (ii) develop new or enhanced functionality (except as provided in Section 3 below), and (iii) install future releases and upgrades of the Non-Retail Presentation Layer Software and Other Common Modules, the Retail Presentation Layer Rights, and/or retrofit the Digital site for purposes of such upgrades. HealthAxis and Digital agree that this composite rate includes "bench time" built in and that HealthAxis will bill Digital only for actual production hours of its personnel which excludes marketing, job estimation, internal communications, and other similar activities which are not directly supportive of Digital projects. These amounts (if any) will be billed separately from, and in addition to, the $100,000 for dedicated staff as specified in Subsections 2(a) and 2(b), and are in no way to be treated as part of the debit/credit/reconciliation process as described in Subsection 2(c) above. Payment for such charges is due monthly, within 30 days of the invoice date.

(e) For so long as Digital remains a tenant in the HealthAxis East Norriton facility, Digital will provide the services of Wayne Knight (or a person of equal skill if his employment with Digital terminates for any reason) to the HealthAxis East Norriton, Pennsylvania employees at no expense to HealthAxis.

(f) For so long as HealthAxis maintains a presence in the HealthAxis East Norriton facility, Healthaxis will provide the services of Mickey Williams (or a person of equal skill if his employment with HealthAxis terminates for any reason) to the Digital East Norriton employees at no expense to Digital.

(g) Except for the shared telecommunications expenses and operating expenses under the Lease as provided above, Digital shall be obligated for any and all out-of-pocket expenses incurred by HealthAxis in performing the Services as provided in Section 5.6 of the original License and Consulting Agreement.

3. Agreements Regarding Remaining Completion Services. HealthAxis and Digital hereby agree that HealthAxis has completed, and Digital has accepted, all software design and development services originally required by HealthAxis to complete the design, testing and implementation of version 3.0 of the Retail Presentation Layer Rights and the specified functionalities of version 3.0 of the Non-Retail Presentation Layer Software and Other Common Modules according to the functionalities originally set forth in the License and Consulting Agreement except for (i) On-Line Small Group and Employee Application, (ii) Small Group Case Renewal, and (iii) Billing and Reconciliation. Digital agrees that effective as of June 1, 2001, any and all remaining work to be performed by HealthAxis at no charge to Digital on these deliverables will be limited to a cumulative total of 2,500 hours of Healthaxis personnel time, including requirements gathering, design, development, testing and implementation. These hours must be used by Digital on or before December 31, 2001, at which time HealthAxis' obligation under this Section 3 will be deemed fully satisfied and discharged, regardless of whether the deliverables described herein have been completed by HealthAxis or accepted by Digital, and regardless of whether or not the 2,500 hours were fully utilized by Digital.

4. Sales and Marketing Assistance. Digital agrees to commit up to twenty-five percent (25%) of the time of Michael Sullivan and Adam Bruckman, its Sales Vice Presidents, at no salary, commission or other personal compensation expense to Healthaxis, to market the products and services of Healthaxis, until December 31, 2001. Digital will receive a commission on any sales, by Messrs. Bruckman and Sullivan (or otherwise by Digital), of any Healthaxis products or services,

in accordance with the Technology Brokerage Agreement dated June 30, 2000.

5. Source Code Release. Notwithstanding anything in this Amendment or otherwise to the contrary, HealthAxis shall not be obligated to release any source code for the Non-Retail Presentation Layer Software and Other Common Modules to Digital pursuant to Section 3.3 of the License and Consulting Agreement unless and until Digital has fully satisfied the Additional Funding Requirement as specified in Section 7 of this Amendment, or if Digital fails to satisfy the Additional Funding Requirement, then upon payment in full of all amounts which will then become due to HealthAxis as provided in Section 7 below: provided, however, that Digital shall remain entitled to such source code pursuant to the terms and conditions of the Escrow Agreement and as specified in Section 3.2 of the License and Consulting Agreement

6. Mutual Release. Except for the continuing obligations of both HealthAxis and Digital as specified in this Amendment, HealthAxis and Digital do hereby release and discharge the other from any and all payment obligations of Digital and all delivery obligations of HealthAxis as contained in the License and Consulting Agreement.

7. Additional Funding Requirement. HealthAxis has agreed to the terms and conditions contained in this Amendment based upon Digital's representations that the agreements contained herein would enhance Digital's ability to raise additional funding. Accordingly, notwithstanding anything in this Amendment to the contrary, in the event Digital has not completed an additional round of funding by raising at least $4,000,000 on or before March 31, 2002 (the "Additional Funding Requirement"), then HealthAxis shall be entitled to receive the unpaid balance of the License Fee and all previously deferred Service Fees (including accrued interest on all such amounts) which would have otherwise have become due under the License and Consulting Agreement as if this Amendment had never been entered into. The Additional Funding Requirement shall also be deemed satisfied if Digital enters into a merger or other business combination transaction which has the net effect of increasing Digital's cash position by at least $4,000,000 (the surviving entity in the merger or other transaction has cash equal to the cash position of Digital immediately prior to the merger or other transaction plus at least $4,000,000) on or before March 31, 2002. If Digital fails to satisfy the Additional Funding Requirement, Digital would be entitled to credit for the $2,000,000.00 paid herewith against such unpaid License Fee and previously deferred Service Fees (and interest thereon) that would otherwise have become due under the License and Consulting Agreement and unpaid amounts that would otherwise have become due under the Promissory Note delivered under the Asset Purchase Agreement (as applicable). Except as expressly provided in Section 2(c) above, nothing herein shall abrogate Digital's rights to terminate the "Services Term" or the "Digital License Term" as provided in the License and Software Consulting Agreement. Digital may, at any time, give written notice to HealthAxis that Digital no longer utilizes the Non-Retail Layer Presentation Software and Other Common Modules, and in such case, no further payments shall be due under this Section regardless of whether an Additional Funding Event occurs on or before March 31, 2002, and the license

granted to Digital in the License and Consulting Agreement shall be deemed automatically terminated for all purposes.

8. Full Force and Effect. The Software License and Consulting Agreement, as amended hereby, shall remain in full force and effect, and all capitalized terms as used herein shall have the meaning as defined in the License and Consulting Agreement. To the extent there are any inconsistencies between the terms of this Amendment and the terms of the Software License and Consulting Agreement, the terms of this Amendment shall prevail.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives effective as of the date first above written.

DIGITAL INSURANCE, INC.	HEALTHAXIS.COM, INC.
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THOMAS O. USILTON	JAMES W. MCLANE
PRESIDENT & CEO	PRESIDENT & CEO

AMENDMENT TO
COMMERCIAL SUBLEASE AGREEMENT

THIS AMENDMENT TO COMMERCIAL SUBLEASE AGREEMENT (this "Amendment") is made and entered into effective as of June 1, 2001 (the "Effective Date"), between HealthAxis.com, Inc., a Pennsylvania corporation ("SubLessor"), and Digital Insurance, Inc., a Delaware corporation ("SubLessee").

W I T N E S S E T H:

WHEREAS, SubLessor and SubLessee executed and delivered that certain Commercial Sublease Agreement dated as of July 1, 2000 (the "Sublease Agreement"); and

WHEREAS, the parties desire to amend the Sublease Agreement as set forth herein;

NOW, THEREFORE, in consideration of $10.00 and the mutual covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

Section 1. Amendments to Sublease Agreement. Effective as of the Effective Date, the following sections of the Sublease Agreement are amended as follows:

(a) Section 5(a) is amended to provide that, effective as of the Effective Date, the annual base rent shall be calculated at the rate of $17.125 per square foot per annum (as opposed to $18.00 per square foot per annum).

(b) Section 34 is amended in its entirety as follows:

"34. Termination of Lease Agreement.

(a) It is hereby mutually agreed that either party hereto may terminate this Lease Agreement at any time upon mutual written agreement of both parties or at the end of each term by giving to the other party written notice of non-renewal at least sixty (60) calendar days prior thereto (except that SubLessor shall not have such right at the end of the original term or first renewal term if

SubLessee exercises the option to renew granted in Paragraph 38 hereof), but in default of such notice, this Lease Agreement shall continue upon the same terms and conditions in force immediately prior to the expiration of the term hereof as are herein contained for a further period of one (1) year and so on from year to year unless or until terminated by either party hereto giving the other at least sixty (60) calendar days written notice of nonrenewal prior to expiration of the then current term. In the event that SubLessee shall give notice, as stipulated in this Lease Agreement, of the end of the present term, or any renewal or extension thereof, and shall fail or refuse so to vacate the same on or before the date designated in such notice, then it is expressly agreed that SubLessee shall pay SubLessor holdover rent at the rate of 1.25 times the base rental at the time of such holdover. All powers granted to SubLessor by this Lease Agreement may be exercised and all obligations imposed upon SubLessee by this Lease Agreement shall be performed by SubLessee as well during any extension or renewal of the original term of this Lease Agreement as during the original term itself.

(b) Notwithstanding anything in Section 34(a) above to the contrary, SubLessee may terminate this Agreement effective at any time after June 1, 2001, by giving SubLessor written notice of termination at least sixty (60) days prior to the desired effective termination date as stated in such notice, and SubLessor may terminate this Agreement by giving SubLessee written notice of termination at least one hundred-fifty (150) days prior to the desired effective termination date as stated in such notice if SubLessor shall sell the building and the new owner desires to terminate this Agreement."

(c) Section 38 is amended to clarify that the base rental rate for each renewal term shall be the base rental for the initial term or the then-expiring renewal term, as the case may be, adjusted for the ensuing year by the annualized increase in the Consumer Price Index for the Philadelphia region (as measured by the average monthly increase in the Consumer Price Index for the Philadelphia region for the six (6) months immediately prior to the renewal date, annualized for a year).

Section 2. Full Force and Effect. The Sublease Agreement, as modified hereby, shall remain in full force and effect. To the extent there are any inconsistencies between the terms of this Amendment and the terms of the Sublease Agreement, the terms and provisions of this Amendment shall prevail.

Section 3. Counterparts. This Amendment may be executed in several counterparts, each of which when fully executed shall be an original, and all such counterparts taken together shall be deemed to constitute one and the same amendment. Delivery of any signature page via telecopy or other electronic facsimile transmission shall be deemed equivalent to physical delivery of the original signature page. Any signature page of any counterpart hereof, whether bearing an original signature or an electronic facsimile transmission of a signature, may be appended to any other counterpart hereof to form a completely executed counterpart hereof.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives effective as of the date first above written.

DIGITAL INSURANCE, INC.	HEALTHAXIS.COM, INC.
BY:___________________________	BY: ________________________
THOMAS O. USILTON	JAMES W. MCLANE
President & CEO	President & CEO

[LOGO]

SEVERANCE AGREEMENT FOR MICHAEL G. HANKINSON

This Severance Agreement entered into this 22nd day of May, 2001, by and between Michael G. Hankinson ("Hankinson"), a Pennsylvania resident and Healthaxis Inc. and Healthaxis.com, Inc. (hereinafter collectively referred to as "Company"), both Pennsylvania corporations.

I. STATUS. Effective July 31, 2001 (the "Separation Date"), Hankinson shall resign as a full-time executive officer of Company. Between the date of this Agreement and the Separation Date, Hankinson shall continue to perform all current duties as Sr. Vice President, Secretary & General Counsel.

II. SEPARATION COMPENSATION. Effective on the Separation Date, Hankinson shall receive a severance compensation payment of six (6) months pay ($80,000), subject to federal, state and local taxes as applicable.

III. MEDICAL EXPENSES. Hankinson shall receive continuation of medical and dental insurance benefits at the current contribution rate, as applicable, for six (6) months following the Separation Date, or until Hankinson receives comparable employer sponsored insurance benefits, whichever is earlier.

IV. BUSINESS RELATED EXPENSES. Subject to the approval of Company, Hankinson shall be reimbursed for all reasonable and necessary Company business-related expenses incurred by Hankinson up to the Separation Date.

V. OPTIONS. All unvested stock options as of the Separation Date (37,571) previously granted to Hankinson shall be fully vested and the post-termination exercise period for all of Hankinson's vested stock options shall be amended in each option to allow for a one-year post termination exercise period (effective from the Separation Date).

VI. SALE OF BUILDING. Company agrees to pay Hankinson an incentive bonus according to the schedule below for the sale of the building and closure of the operations at 2500 DeKalb Pike, East Norriton, PA. Such activities include but are not limited to, the sale of inventory and equipment, the termination of service contracts, the legal documentation and transfer of title to the building, and the possible dislocation/relocation of personnel and company functions as determined by the Company. Company agrees to act in good faith to authorize and facilitate the recommendations made by Hankinson regarding winding down and closure activities in order to achieve the timelines outlined below.

Closure Date	Net Receipts from Sale of the Building	Bonus

by 09/30/01	$4.25 mm	$150,000	(cash in hand)
by 09/30/01	$4.00 mm	$125,000	
by 10/31/01	$4.00 mm	$100,000	
by 09/30/01	$3.75 mm	$ 75,000	
by 11/30/01	$3.75 mm	$ 50,000	
by 11/30/01	$3.50 mm	$ 25,000	

VII. Retained Employment. Effective July 1, 2001, Hankinson shall be retained on a part-time basis as an "at-will" Secretary & General Counsel of the Corporation. The terms of this employment are as follows:

A. Duties and Responsibilities: Advise the public Corporation on legal and regulatory matters. Perform the responsibilities of Secretary of the Corporation.

B. Authority. Hankinson shall have the authority of the Secretary and General Counsel of the Company to execute and negotiate documents consistent with past practices. He shall have the authority to direct the activities of outside counsel to the extent necessary to properly advise and represent the Company regarding SEC and other related matters.

C. Retention Fees: Company shall pay Hankinson at the rate of $5,000 per month for the performance of his duties herein. Payments shall be payable in monthly installments, subject to federal, state and local taxes. Services can be terminated by either party with 30-days written notice. Hankinson shall not be eligible for, and waives employment benefits, except as otherwise provided for in this Agreement, during the course of his part-time "at-will" employment.

D. Liability Coverage: Company shall provide D&O liability coverage on behalf of Hankinson, and shall indemnify and hold harmless Hankinson from and against any and all liability consistent with the By-Laws of the Corporation and the Business Corporation Law.

E. Business Related Expenses. Subject to the approval of Company, Hankinson shall be reimbursed for all reasonable and necessary Company business-related expenses incurred by Hankinson in the conduct of his "at-will" employment as Secretary & General Counsel.

VIII. MUTUAL RELEASE OF LIABILITY. Effective as of the Separation Date, Hankinson and Company agree to and shall execute the attached Mutual Release of Liability releasing one another from any and all past and present liabilities (except enforcement of Hankinson's rights under this Severance Agreement and Hankinson's stock option agreements) arising in connection with Hankinson's employment at Company prior to the Separation Date. Neither Hankinson nor Company intend this Release to affect liabilities which may arise during the course of Hankinson's part-time employment effective July 1, 2001 for events on or subsequent to that date.

IX. ENTIRE AGREEMENT. The terms contained herein and on the attached Mutual Release of Liability represent the full and final terms of separation between Hankinson and Company and supersede any and all other agreements, except agreements or amendments to previously granted stock options to Hankinson as regards the employment of Hankinson.

X. ARBITRATION. The parties herein agree to settle any unresolved disputes arising from either the Severance Agreement or the Mutual Release of Liability through binding arbitration under the rules of the American Arbitration Association at a location to be determined by Company.

XI. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to the principles of conflicts of law thereof.

Accepted, Agreed to and Effective this 22nd day of May, 2001.

MICHAEL G. HANKINSON
SR. VICE PRESIDENT, SECRETARY & GENERAL COUNSEL
HEALTHAXIS.COM, INC.
HEALTHAXIS INC.

JAMES W. MCLANE
PRESIDENT & CEO
HEALTHAXIS.COM, INC.
HEALTHAXIS INC.