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AMERICAN MEDICAL SECURITY GROUP INC
Form 8-K
February 06, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): February 5, 2002

AMERICAN MEDICAL SECURITY GROUP, INC.
(Exact name of Registrant as specified in its charter)

| | | |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------|
| Wisconsin (State of Incorporation) | 1-13154 (Commission File Number) | 39-1431799 (I.R.S. Employer Identification No.) |
| 3100 AMS Boulevard, Green Bay, Wisconsin (Address of principal executive offices) | | 54313 (Zip Code) |
| | (920) 661-1111 (Registrant's telephone number, including area code) | |

Item 9. Regulation FD Disclosure.

American Medical Security Group, Inc. (the "Company") has developed an investor financial presentation that is available on its website - www.AMSchoices.com, and presented to a number of financial analysts, investors and potential investors. The presentation furnished herewith supercedes a presentation previously furnished pursuant to a Form 8-K dated September 10, 2001 and the presentation on the Company's website. The presentation (i) describes the Company's current businesses, strategies and financial highlights; (ii) describes projected changes in the mix of revenue contributions from the Company's major businesses anticipated by 2003; and (iii) describes discussions between the Company and Cobalt Corporation, the parent of the Company's largest shareholder. The content of the presentation will form the base of future presentations the Company expects to make at financial forums, including health care conferences sponsored by various financial institutions. The presentation is prepared in summary fashion and contains information that should be read in conjunction with the Company's reports filed with the Securities and Exchange Commission from time to time.

Also included in this Form 8-K is a financial supplement containing historical data that is available on the Company's website and provided to the financial analysts, investors and potential investors.

Following is the content of the presentation and the financial

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supplement furnished herewith.

[American Medical Security Group, Inc. LOGO]

February 2002

[AMS Logo]

FORWARD-LOOKING STATEMENT

Some of the statements made during this presentation may be forward-looking statements subject to inherent risks and uncertainties that may cause actual results to differ materially from the company's expectations. Please refer to the cautionary statement contained in written materials distributed with this presentation and the various reports filed by the company with the SEC for discussions of risk factors affecting the company and its business. The company assumes no obligation to update forward-looking statements included in this presentation.

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[AMS Logo]

AMS

[Map of the United States]
AMS Markets

| | | |
|----------------|------------------|------------------|
| Alabama | Arizona-1 | Arkansas |
| Colorado-1 | Delaware | Florida-1,2 |
| Georgia-1 | Illinois-1,2 | Indiana-1 |
| Iowa | Kansas-1 | Louisiana |
| Maryland | Michigan-2 | Mississippi-2 |
| Missouri-1 | Nebraska-1 | Nevada |
| New Mexico-2 | North Carolina-2 | North Dakota |
| Ohio-1,2 | Oklahoma-1,2 | Pennsylvania-1,2 |
| South Carolina | South Dakota | Tennessee-1,2 |
| Texas-1,2 | Utah-2 | Virginia-1 |
| West Virginia | Wisconsin-1,3 | Washington DC |

- Specializes in providing healthcare benefit plans for small-employer groups, individuals & families

- PPO model

- 2001 Revenues: \$876.6 million

- 557,716 health members at 12/31/01

- 1- Regional Sales Office located in this state
- 2- District Sales Office located in this state
- 3- Headquarters located in Green Bay, Wisconsin

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FEBRUARY 4 EARNINGS HIGHLIGHTS

- o Net income of \$0.30 per share in 4Q 2001
 - o \$0.25 in 3Q 2001
 - o \$0.10 in 2Q 2001
 - o \$0.05 in 1Q 2001 (excluding \$0.41 non-recurring litigation charge)
- o Guidance of \$1.15 - 1.25 per share for full-year 2002
- o Health segment loss ratio improves for 5th consecutive quarter
 - o Lowest point in more than 2 years

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- o New product lines reaching markets

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AMS OVERVIEW

- o Strategies
 - o Grow individual MedOne business
 - o Continue to improve small group business performance
 - o Rollout new product lines
 - o Grow dental business

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BUSINESSES

Revenue Contribution Changes (% of all AMS revenues)

[Bar Chart]]

| 2000 | 2001 | 2003 (projected) |
|-----------------|-----------------|------------------|
| 63% Small Group | 54% Small Group | 46% Small Group |
| 25% MedOne | 36% MedOne | 44% MedOne |
| 9% Specialty | 10% Specialty | 10% Specialty |

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[AMS Logo]

Small Group

Small Group Medical, Dental, Life and STD
associated with group members

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SMALL GROUP COMPONENT

- o Small-employer groups, ranging in size from 2 to 50 employees
- o Average group size is 6 employees
- o Distribution through 25,000 independent agents

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SMALL GROUP COMPONENT

- o Improving performance of small group business
 - o Several quarters of aggressive rate action
 - o Premiums increasing faster than claim costs
- o Industry finally overcomes impact of Health Insurance Portability & Accountability Act (HIPAA)

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- o Double-digit health care inflation compounds HIPAA
- o Medicare cost-shifting makes matters worse

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SMALL GROUP COMPONENT

- o New group product rollout
 - o Extremely strong agent reception
 - o Employers can tailor coverage to meet their needs
- o Aggressive efforts to invigorate new member growth

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SMALL GROUP COMPONENT

- o Increase small group profitability by:
 - o Focusing on core markets
 - o Introducing new products
 - o Higher deductibles, copays, etc.

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MedOne

MedOne Medical, and Life
associated with MedOne members

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MEDONE COMPONENT

- o Product for individuals and their families
 - o No employer coverage
 - o Self-employed
 - o Temporary coverage
- o Sold through independent agents
- o Higher profit potential than small group
 - o More flexibility in underwriting and pricing
 - o Better risk selection

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MEDONE COMPONENT

- o Well-positioned in softening economy
 - o Layoffs
 - o Small employers dropping coverage
- o New MedOne product rollout
 - o Individuals have a greater stake in health care costs

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- o Elect higher deductibles and co-pays
 - o Builds on success of Affordable One

 - o Improving competitive environment
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MEDONE COMPONENT

- o MedOne Revenues
 - o Up 24% in 2001 from 2000

 - o MedOne Membership
 - o 45% of total 2001 membership vs. 34% in 2000
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MEDONE COMPONENT

- o Increase revenues & profitability:
 - o Expand number of agents
 - o Introduce new product
 - o Create additional regional/national distribution relationships
 - o Provide agents with power of Internet
 - o eAMS.com secured agent site
 - o Electronic quoting and enrollment
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Specialty Business

Stand-Alone Dental and Self-Funded

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SPECIALTY BUSINESS

- o Consists of:
 - o Dental business
 - o 167,000 stand-alone dental members
 - o 79,000 additional members bundled to group plans
 - o Self-funded business
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SPECIALTY BUSINESS

- o Increase Profitability by:

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- o Expanding dental business
 - o Increase sales & marketing activity
 - o New product
- o Selectively developing self-funded business

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FINANCIAL HIGHLIGHTS

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EARNINGS PER SHARE (*excluding non-recurring charge)

[Line Graph]

| | |
|----------------|-----------|
| Quarter 3 2000 | \$ (0.09) |
| Quarter 4 2000 | \$ 0.01 |
| Quarter 1 2001 | \$ 0.05* |
| Quarter 2 2001 | \$ 0.10 |
| Quarter 3 2001 | \$ 0.25 |
| Quarter 4 2001 | \$ 0.30 |

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ANNUAL EARNINGS PER SHARE (*excluding non-recurring charge)

[Bar Chart]

| 2000 Actual | 2001 Actual | 2002 Company guidance as of 2/4/02 |
|-------------|-------------|------------------------------------|
| \$0.18 | \$0.70* | \$1.15 - \$1.25 |

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OTHER FINANCIAL DATA

| | 12/31/99 | As Of 12/31/00 | 12/31/01 |
|-------------------------------|----------|-------------------|-----------|
| Book Value per Share | \$14.86 | \$15.77 | \$16.30 |
| Tangible Book Value per Share | \$7.69 | \$8.24 | \$8.85 |
| Debt to Total Capital Ratio | 16.2% | 15.7% | 14.9% |
| Cash Flow from Operations | \$26.4 | \$(3.2) | \$17.6 |
| Capital Adequacy (RBC) | 339% | 389% | 486% est. |

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FINANCIAL HIGHLIGHTS

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SMALL CAP VALUE

- o Investment Considerations
 - o Growing MedOne business
 - o Small group market turnaround
 - o Profitable dental business
 - o Strong systems and back office
 - o Low debt to total capital ratio - 14.9%
 - o Book value of \$16.30 per share on 12/31/2001
 - o Tangible book value of \$8.85 per share on 12/31/2001
 - o Closing price of \$11.48 on 2/1/2002

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COBALT CORPORATION

- o 45% Shareholder
- o January 18: Files Schedule 13D with SEC
 - o Discussions with AMS regarding the repurchase of a portion of its shares at market prices
 - o Investment no longer "strategic asset"
 - o July 2001: Hired investment banker to respond to inquiries from purchasers
 - o AMS in discussions with Cobalt to resolve these issues favorably for shareholders

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PROXY SOLICITATION

The directors and executive officers of American Medical Security Group, Inc. ("AMS") and certain other persons may be deemed to be participants in solicitation by AMS of proxies from its shareholders in connection with AMS' 2002 Annual Meeting of Shareholders. Information concerning such participants was filed by AMS with the Securities and Exchange Commission (the "SEC") on January 22, 2002.

SHAREHOLDERS OF AMS ARE ADVISED TO READ AMS' PROXY STATEMENT IN CONNECTION WITH ITS SOLICITATION OF PROXIES FROM ITS SHAREHOLDERS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Shareholders of AMS and other interested parties may obtain, free of charge, copies of AMS' proxy statement, and any other documents filed by AMS with the SEC, at the SEC's Internet web site at www.sec.gov. When available, definitive proxy statements and other documents may also be obtained by contacting AMS: Cliff Bowers, American Medical Security, P.O. Box 19032, Green Bay, WI 54307-9032. (920) 661-2766

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CAUTIONARY STATEMENT

This presentation contains certain "forward-looking" statements (within the meaning of the safe harbor provisions of the Private Securities Litigation

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Reform Act of 1995) with respect to strategic business plans, earnings and changes in business mix. Such statements are subject to inherent risks and uncertainties that may cause actual results to differ materially from those contemplated. Risk factors that may affect actual results include:

- o Inability to successfully implement the Company's business plan, attain new business sales goals, retain existing customers and maintain acceptable profit margins
- o Unexpected increases in medical costs and increased utilization of medical services and prescription drugs resulting from bioterrorism concerns or otherwise
- o Competitive practice and demand for the Company's products
- o Changes in the Company's relationship with key sales agents and the ability of the Company to expand its distribution network
- o Developments in health care reform and changes in insurance and health care regulations and other regulatory issues
- o General economic conditions affecting consumer spending and the Company's investment performance
- o Outcome of commercial and other litigation
- o Other factors referred to in the Company's reports filed with the Securities and Exchange Commission from time to time

This presentation reflects expectations of the Company as of February 4, 2002. The Company undertakes no obligation to update this information as a result of new information or future events.

Information in this presentation related to the Company's major business products is provided in addition to previously disclosed information. In this presentation, historical and forward-looking data reflecting the Company's health and life insurance segment businesses have been allocated to major business products based on the underlying customer base.

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[American Medical Security Group, Inc. Logo]

FINANCIAL SUPPLEMENT

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

INCOME DATA

(in thousands, except earnings per share)

| | 2000 | | | | 2001 | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd |
| REVENUES | | | | | | | |
| Premiums | \$247,905 | \$240,537 | \$231,963 | \$230,666 | \$222,470 | \$213,645 | \$204,000 |
| Investment income | 4,883 | 4,886 | 4,620 | 4,618 | 4,514 | 4,405 | 4,405 |
| Realized investment gain (loss) | - | (112) | (90) | (123) | (27) | (152) | (152) |
| Fees & other | 4,889 | 5,015 | 5,263 | 4,945 | 5,301 | 5,408 | 5,408 |
| Total revenues | 257,677 | 250,326 | 241,756 | 240,106 | 232,258 | 223,306 | 213,000 |

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| | | | | | | | |
|---------------------------------------------|----------|----------|------------|---------|------------|----------|----------|
| OPERATING COSTS | | | | | | | |
| Benefits | 188,063 | 182,012 | 180,141 | 174,397 | 166,580 | 156,174 | 144,000 |
| General and administrative | 35,458 | 32,991 | 32,215 | 32,742 | 33,080 | 33,723 | 33,000 |
| Commissions and selling | 28,412 | 28,459 | 27,650 | 29,184 | 28,146 | 27,794 | 26,000 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total operating costs | 251,933 | 243,462 | 240,006 | 236,323 | 227,806 | 217,691 | 204,000 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| EBITDA | 5,744 | 6,864 | 1,750 | 3,783 | 4,452 | 5,615 | 9,000 |
| Depreciation and amortization | 2,014 | 2,181 | 2,141 | 2,105 | 2,092 | 2,263 | 2,000 |
| Interest expense | 896 | 883 | 890 | 915 | 876 | 744 | 0 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAXES | 2,834 | 3,800 | (1,281) | 763 | 1,484 | 2,608 | 6,000 |
| Income taxes | 1,175 | 1,540 | 95 | 637 | 774 | 1,142 | 2,000 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| INCOME BEFORE NON-RECURRING ITEMS | 1,659 | 2,260 | (1,376) | 126 | 710 | 1,466 | 3,000 |
| Non-recurring items, net of tax | - | - | - | - | 5,850 | - | 0 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| NET INCOME (LOSS) | \$ 1,659 | \$ 2,260 | \$ (1,376) | \$ 126 | \$ (5,140) | \$ 1,466 | \$ 3,000 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| PER SHARE DATA | | | | | | | |
| EBITDA - basic | \$ 0.37 | \$ 0.45 | \$ 0.12 | \$ 0.26 | \$ 0.31 | \$ 0.40 | \$ 0.60 |
| Income before non-recurring items - diluted | \$ 0.11 | \$ 0.15 | \$ (0.09) | \$ 0.01 | \$ 0.05 | \$ 0.10 | \$ 0.10 |
| Net income (loss) - basic | \$ 0.11 | \$ 0.15 | \$ (0.09) | \$ 0.01 | \$ (0.36) | \$ 0.10 | \$ 0.10 |
| Net income (loss) - diluted | \$ 0.11 | \$ 0.15 | \$ (0.09) | \$ 0.01 | \$ (0.36) | \$ 0.10 | \$ 0.10 |
| Weighted average common shares - basic | 15,505 | 15,102 | 14,562 | 14,436 | 14,211 | 14,042 | 13,000 |
| Weighted average common shares - diluted | 15,573 | 15,156 | 14,562 | 14,453 | 14,211 | 14,094 | 14,000 |
| MARGIN ANALYSIS | | | | | | | |
| EBITDA | 2.2% | 2.7% | 0.7% | 1.6% | 1.9% | 2.5% | 0.0% |
| Income before income taxes | 1.1% | 1.5% | (0.5)% | 0.3% | 0.6% | 1.2% | 0.0% |
| Net income (loss) | 0.6% | 0.9% | (0.6)% | 0.1% | (2.2)% | 0.7% | 0.0% |

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

FINANCIAL DATA

(in thousands, except membership)

| | 2000 | | | | 2001 | | |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd Qtr |
| REVENUE MIX | | | | | | | |
| Premiums: | | | | | | | |
| Health | \$232,954 | \$228,437 | \$222,635 | \$223,696 | \$216,974 | \$209,124 | \$200,000 |
| Life | 6,072 | 5,774 | 5,460 | 5,272 | 4,963 | 4,483 | 4,000 |
| HMO and other | 8,879 | 6,326 | 3,868 | 1,698 | 533 | 38 | 0 |

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| | | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| Investment income | 4,883 | 4,774 | 4,530 | 4,495 | 4,487 | 4,253 | 3 |
| Self funded admin fees | 1,354 | 1,341 | 1,376 | 1,385 | 1,403 | 1,345 | 1 |
| Other | 3,535 | 3,674 | 3,887 | 3,560 | 3,898 | 4,063 | 4 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total revenues | \$257,677 | \$250,326 | \$241,756 | \$240,106 | \$232,258 | \$223,306 | \$213 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

FINANCIAL STATISTICS

| | | | | | | | |
|-----------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| Shareholders' equity, excluding FAS 115 | \$231,706 | \$228,088 | \$226,341 | \$225,125 | \$218,850 | \$219,804 | \$223 |
| Goodwill and other intangibles, net | \$110,401 | \$109,455 | \$108,508 | \$107,562 | \$106,655 | \$105,748 | \$104 |
| Debt | \$ 42,158 | \$ 41,858 | \$ 41,558 | \$ 41,258 | \$ 40,958 | \$ 40,658 | \$ 40 |
| Book value per share | \$ 15.01 | \$ 15.64 | \$ 15.58 | \$ 15.77 | \$ 15.54 | \$ 15.70 | \$ 1 |
| Tangible book value per share | \$ 7.86 | \$ 8.14 | \$ 8.11 | \$ 8.24 | \$ 7.97 | \$ 8.15 | \$ |
| Debt to total capital | 16.0% | 16.1% | 16.0% | 15.7% | 15.8% | 15.7% | 1 |
| Common shares outstanding, net of treasury | 15,432 | 14,579 | 14,530 | 14,271 | 14,085 | 13,997 | 13 |

MEMBERSHIP ANALYSIS

Health:

| | | | | | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|-------|
| Fully insured medical | 520,710 | 498,415 | 475,706 | 462,902 | 424,632 | 394,387 | 363 |
| Self funded & HMO medical | 67,364 | 62,160 | 61,958 | 53,954 | 49,768 | 45,490 | 45 |
| Stand-alone dental | 188,565 | 179,760 | 176,727 | 171,007 | 178,283 | 186,990 | 171 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Health | 776,639 | 740,335 | 714,391 | 687,863 | 652,683 | 626,867 | 580 |
| Life/AD&D | 280,893 | 270,600 | 259,000 | 251,779 | 230,426 | 211,547 | 196 |

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

BALANCE SHEETS

(in thousands)

| | 2000 | | | | |
|-----------------------------------------------|-----------|-----------|-----------|-----------|-------|
| | 3/31 | 6/30 | 9/30 | 12/31 | 3/3 |
| | ----- | ----- | ----- | ----- | ----- |
| ASSETS | | | | | |
| Investments: | | | | | |
| Securities available for sale, at fair value: | | | | | |
| Fixed maturities | \$281,044 | \$272,192 | \$269,950 | \$262,428 | \$261 |
| Equity securities - preferred | 2,027 | 2,180 | 2,315 | 2,368 | 2 |
| Fixed maturity securities held to maturity, | | | | | |

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| | | | | | |
|--------------------------------------------|-----------|-----------|-----------|-----------|-------|
| at amortized cost | 3,829 | 4,337 | 4,328 | 4,320 | 4 |
| Trading securities, at fair value | - | 49 | 127 | 260 | |
| | ----- | ----- | ----- | ----- | ----- |
| Total investments | 286,900 | 278,758 | 276,720 | 269,376 | 267 |
| Cash and cash equivalents | (2,335) | (3,531) | (6) | 15,606 | 10 |
| Other assets: | | | | | |
| Property and equipment, net | 34,089 | 33,175 | 32,607 | 32,451 | 33 |
| Goodwill and other intangibles, net | 110,401 | 109,455 | 108,508 | 107,562 | 106 |
| Other assets | 54,772 | 47,150 | 47,016 | 46,928 | 46 |
| | ----- | ----- | ----- | ----- | ----- |
| Total other assets | 199,262 | 189,780 | 188,131 | 186,941 | 186 |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL ASSETS | \$483,827 | \$465,007 | \$464,845 | \$471,923 | \$464 |
| | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Liabilities: | | | | | |
| Medical and other benefits payable | \$150,512 | \$140,173 | \$137,019 | \$145,310 | \$133 |
| Advance premiums | 22,835 | 21,449 | 20,780 | 17,568 | 18 |
| Payables and accrued expenses | 25,246 | 23,581 | 27,559 | 25,902 | 34 |
| Notes payable | 42,158 | 41,858 | 41,558 | 41,258 | 40 |
| Other liabilities | 21,516 | 20,204 | 19,300 | 20,708 | 19 |
| | ----- | ----- | ----- | ----- | ----- |
| Total liabilities | 262,267 | 247,265 | 246,216 | 250,746 | 246 |
| Shareholders' equity: | | | | | |
| Common stock | 16,654 | 16,654 | 16,654 | 16,654 | 16 |
| Paid-in capital | 187,956 | 187,956 | 187,956 | 187,956 | 187 |
| Retained earnings | 35,286 | 37,546 | 36,169 | 36,295 | 31 |
| Unrealized gain (loss) on investments | (10,146) | (10,346) | (7,712) | (3,948) | |
| Treasury stock | (8,190) | (14,068) | (14,438) | (15,780) | (16) |
| | ----- | ----- | ----- | ----- | ----- |
| Total shareholders' equity | 221,560 | 217,742 | 218,629 | 221,177 | 218 |
| | ----- | ----- | ----- | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$483,827 | \$465,007 | \$464,845 | \$471,923 | \$464 |
| | ===== | ===== | ===== | ===== | ===== |

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

SEGMENT DATA - HEALTH

(in thousands, except financial statistics)

| | 2000 | | | | 2001 | | |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd |
| OPERATING RESULTS | | | | | | | |
| Revenues: | | | | | | | |
| Premiums | \$232,954 | \$228,437 | \$222,635 | \$223,696 | \$216,974 | \$209,124 | \$200 |
| Investment income | 2,545 | 2,353 | 2,243 | 2,372 | 2,450 | 2,265 | 2 |
| Other revenue | 3,963 | 4,020 | 4,220 | 3,912 | 4,230 | 4,357 | 4 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total revenues | 239,462 | 234,810 | 229,098 | 229,980 | 223,654 | 215,746 | 206 |

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| | | | | | | | |
|-----------------------------------|---------|---------|------------|----------|---------|----------|----------|
| Benefits and expenses: | | | | | | | |
| Benefits | 178,505 | 175,569 | 175,529 | 170,908 | 164,197 | 154,981 | 142,500 |
| General and administrative | 33,765 | 31,876 | 31,215 | 31,649 | 31,752 | 32,469 | 32,469 |
| Commissions and selling | 26,476 | 26,817 | 26,310 | 27,541 | 27,211 | 26,975 | 25,566 |
| Total benefits and expenses | 238,746 | 234,262 | 233,054 | 230,098 | 223,160 | 214,425 | 200,535 |
| Income (loss) before income taxes | \$ 716 | \$ 548 | \$ (3,956) | \$ (118) | \$ 494 | \$ 1,321 | \$ 5,000 |

FINANCIAL STATISTICS

| | | | | | | | |
|----------------------------|--------|--------|--------|--------|--------|--------|-------|
| Loss ratio | 76.6% | 76.9% | 78.8% | 76.4% | 75.7% | 74.1% | 73.1% |
| Expense ratio: | | | | | | | |
| General and administrative | 12.8% | 12.2% | 12.1% | 12.4% | 12.7% | 13.4% | 13.4% |
| Commissions and selling | 11.4% | 11.7% | 11.8% | 12.3% | 12.5% | 12.9% | 12.9% |
| Total expense ratio | 24.2% | 23.9% | 23.9% | 24.7% | 25.2% | 26.3% | 26.3% |
| Combined ratio | 100.8% | 100.8% | 102.8% | 101.1% | 100.9% | 100.4% | 99.4% |

Premiums per member per month:

| | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|
| Fully insured medical | \$ 131 | \$ 134 | \$ 137 | \$ 143 | \$ 146 | \$ 153 | \$ 153 |
| Self funded | 46 | 44 | 42 | 42 | 48 | 49 | 49 |
| Dental | 18 | 19 | 19 | 19 | 20 | 20 | 20 |
| Short-term disability | 21 | 17 | 17 | 16 | 21 | 21 | 21 |

Benefits cost per member per month:

| | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|
| Fully insured medical | \$ 101 | \$ 103 | \$ 109 | \$ 110 | \$ 112 | \$ 113 | \$ 113 |
| Self funded | 39 | 41 | 40 | 35 | 36 | 42 | 42 |
| Dental | 13 | 13 | 12 | 13 | 13 | 14 | 14 |
| Short-term disability | 11 | 10 | 16 | 21 | 13 | 11 | 11 |

* First quarter and full-year 2001 health segment general and administrative expense excludes the pre-tax litigation charge.

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

SEGMENT DATA - LIFE

(in thousands, except financial statistics)

| | 2000 | | | | 2001 | | |
|-------------------|----------|----------|----------|----------|----------|----------|----------|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd Qtr |
| OPERATING RESULTS | | | | | | | |
| Revenues: | | | | | | | |
| Premiums | \$ 6,072 | \$ 5,774 | \$ 5,460 | \$ 5,272 | \$ 4,963 | \$ 4,483 | \$ 4,483 |
| Investment income | 159 | 157 | 157 | 165 | 174 | 162 | 162 |
| Other revenue | 56 | 58 | 57 | 46 | 42 | 40 | 40 |

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| | | | | | | | |
|-----------------------------|----------|----------|----------|----------|----------|----------|------|
| Total revenues | 6,287 | 5,989 | 5,674 | 5,483 | 5,179 | 4,685 | 4 |
| Benefits and expenses: | | | | | | | |
| Benefits | 2,290 | 1,547 | 2,102 | 1,842 | 1,992 | 1,690 | 1 |
| General and administrative | 650 | 582 | 571 | 649 | 531 | 561 | |
| Commissions and selling | 1,107 | 1,070 | 995 | 957 | 906 | 836 | |
| Total benefits and expenses | 4,047 | 3,199 | 3,668 | 3,448 | 3,429 | 3,087 | 2 |
| Income before income taxes | \$ 2,240 | \$ 2,790 | \$ 2,006 | \$ 2,035 | \$ 1,750 | \$ 1,598 | \$ 1 |

FINANCIAL STATISTICS

| | | | | | | | |
|----------------------------|-------|-------|-------|-------|-------|-------|---|
| Loss ratio | 37.7% | 26.8% | 38.5% | 34.9% | 40.1% | 37.7% | 3 |
| Expense ratio: | | | | | | | |
| General and administrative | 9.8% | 9.1% | 9.4% | 11.4% | 9.8% | 11.7% | 1 |
| Commissions and selling | 18.2% | 18.5% | 18.2% | 18.2% | 18.3% | 18.6% | 1 |
| Total expense ratio | 28.0% | 27.6% | 27.6% | 29.6% | 28.1% | 30.3% | 3 |
| Combined ratio | 65.7% | 54.4% | 66.1% | 64.5% | 68.2% | 68.0% | 6 |

AMERICAN MEDICAL SECURITY GROUP, INC. AND SUBSIDIARIES

CORPORATE AND OTHER

(in thousands)

| | 2000 | | | | 2001 | | |
|--------------------------------------|----------|----------|----------|------------|----------|----------|-------|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd |
| OPERATING RESULTS | | | | | | | |
| Revenues: | | | | | | | |
| Premiums | \$ 8,879 | \$ 6,326 | \$ 3,868 | \$ 1,698 | \$ 533 | \$ 38 | \$ |
| Investment income | 2,179 | 2,376 | 2,220 | 2,081 | 1,890 | 1,978 | 1 |
| Realized investment gain (loss) | - | (112) | (90) | (123) | (27) | (152) | |
| Other revenue | 870 | 937 | 986 | 987 | 1,029 | 1,011 | |
| Total revenues | 11,928 | 9,527 | 6,984 | 4,643 | 3,425 | 2,875 | 2 |
| Benefits and expenses: | | | | | | | |
| Benefits | 7,268 | 4,896 | 2,510 | 1,647 | 391 | (497) | |
| General and administrative | 2,111 | 1,767 | 1,624 | 1,603 | 1,982 | 2,049 | 1 |
| Commissions and selling | 829 | 572 | 345 | 686 | 29 | (17) | |
| Interest expense | 896 | 883 | 890 | 915 | 876 | 744 | |
| Amortization of intangibles | 946 | 947 | 946 | 946 | 907 | 907 | |
| Total benefits and expenses | 12,050 | 9,065 | 6,315 | 5,797 | 4,185 | 3,186 | 3 |
| Income (loss) before income taxes | \$ (122) | \$ 462 | \$ 669 | \$ (1,154) | \$ (760) | \$ (311) | \$ (1 |

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.

AMERICAN MEDICAL SECURITY
GROUP, INC.

Dated: February 5, 2002

/s/ Gary D. Guengerich
Gary D. Guengerich
Executive Vice President & Chief
Financial Officer