

AMERICAN MEDICAL SECURITY GROUP INC
Form DEFA14A
February 06, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. ____)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []
Check the appropriate box:
 [] Preliminary Proxy Statement
 [] Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e)(2))
 [] Definitive Proxy Statement
 [] Definitive Additional Materials
 [X] Soliciting Material Pursuant to Rule 14a-12
AMERICAN MEDICAL SECURITY GROUP, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box): [X] No fee required. []
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February 2002

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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 expectitations. 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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[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
- o New product lines reaching markets

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AMS OVERVIEW

- o Strategies

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

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SMALL GROUP COMPONENT

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- 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
 - 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:
 - 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

SMALL CAP VALUE

- o Investment Considerations
 - o Growing MedOne business
 - o Small group market turnaround

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- 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 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

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- 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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