AMERICAN MEDICAL SECURITY GROUP INC
Form 424B1
May 30, 2002

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2,610,000 Shares

Common Stock
$18.00 per share

Our largest shareholder, Blue Cross & Blue Shield United of Wisconsin, is the sole selling shareholder in this offering and is offering 2,610,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol "AMZ." On May 29, 2002, the last reported sale price of our common stock on the New York Stock Exchange was $18.31 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 9.

	Per Share	Total
Price to the public	$ 18.00	$ 46,980,000
Underwriting discount	1.06	2,766,600
Proceeds to the selling shareholder	16.94	44,213,400

The selling shareholder has granted an over-allotment option to the underwriters. Under this option, the underwriters may elect to purchase a maximum of 391,500 additional shares from the selling shareholder within 30 days following the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CIBC World Markets

Robert W. Baird & Co.

Stifel, Nicolaus & Company
Incorporated

The date of this prospectus is May 29, 2002.

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Prospectus Summary

This summary highlights information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in the shares. You should read the entire prospectus carefully.

American Medical Security Group, Inc.

We develop and offer health and related insurance products designed to provide individuals and small employer groups with maximum choice at a reasonable cost. In order to increase choice for our insureds, we utilize a preferred provider organization, or PPO model. PPOs provide a wider choice of health professionals and more access to specialists than health maintenance organizations, or HMOs. To reduce the cost of insurance to our customers, we offer multiple health plan configurations incorporating various co-payment agreements and deductible rates, allowing customers to choose the benefit plan that fits their individual needs. We also employ a variety of medical cost management programs designed to help manage and control the overall cost of our products including care management, utilization review and subrogation review. Our proactive care management model is designed to improve the overall quality of care, while also managing the cost of certain complex chronic and acute medical conditions.

We believe that increased choice and affordability, through our product design and our cost management programs, make our products attractive to individuals and small group employers willing to accept increased financial and decision making responsibility for their health care. In addition to our health benefit plans, we also offer dental, life, prescription drug, disability and accidental death insurance, and provide self-funded benefit administration. We sell our products through a network of licensed independent agents in 32 states and the District of Columbia. We are a Wisconsin corporation organized in 1983.

Industry

In recent years a number of factors have caused significant changes within the health insurance industry. These factors have included dramatically increasing medical costs and insurance premiums, significant efforts by providers to shift the cost of health care to patients, increased regulation and growing demand for consumer choice. As a result it has become increasingly difficult for insurance companies to operate, resulting in significant industry consolidation and an overall decline in the number of companies in the U.S. marketing health insurance. This impact has been especially true in the small employer group and individual markets where many small group carriers became unprofitable and were forced out of the market. Many carriers, including ourselves, implemented successive years of significant rate increases to account for the higher costs associated with health insurance. We believe we have been successful in doing this and as a result our small employer group business has returned to profitability and we believe it will contribute to future earnings growth.

While the number of insurers serving the small employer group and individual markets has declined, these markets have been experiencing significant growth. This growing marketplace is seeking health insurance products that provide flexible plan designs and various price options

allowing insureds to choose a benefit package that fits their budget.

Our Approach

As the individual and small employer group health insurance markets evolve, we believe that we are positioned to grow our business and profitability by focusing on the following competitive strengths:

Focus on PPO products. As consumers demand more choice in health care, PPOs are becoming

more popular. PPOs typically provide a wider choice of health professionals and more access to specialty health care than HMOs.

Balanced business model focused on customer choice. We offer a variety of products with a broad range of risk-sharing options to a geographically diverse market. For example, our small group products allow an employer with four employees to offer four different and distinct health plans.

Excellent customer service. We provide a number of value-added features to our customers including Nurse Healthline, Inc., our toll-free 24-hour health information line, case management services and toll-free, personal customer service 24 hours-a-day, seven days a week. In addition, over 95% of our customers' claims are processed within 30 days, and we maintain an approximate 99% financial claim accuracy record.

Outstanding agent relationships. We currently market products through approximately 25,000 independent agents, a 25% increase in the number of agents from the prior year. We have focused our marketing efforts on agents with whom we have strong existing relationships. As a result, we are continuing to build long-term, mutually beneficial agent relationships that enhance our overall distribution network.

Process orientation and underwriting discipline. We have developed proprietary and tested medical cost management practices and underwriting capabilities. Our custom-built, fully integrated management information system provides efficiency and service advantages while maintaining relatively low administrative expenses.

Infrastructure. Our existing information technology infrastructure, geographic location and economies of scale provide us with an administrative cost advantage. We have developed a custom-built, integrated management information system that includes underwriting, billing, enrollment, claims processing, utilization management, sales reporting, network analysis and service and status reporting. We believe our existing infrastructure has enough capacity to double our current volume of business.

Centralized, Midwestern location. Our operations are centralized at our Green Bay, Wisconsin corporate campus. We benefit from a stable, educated workforce and good labor relations.

Our Business Strategy

Our objective is to become the leading provider of health insurance products to individuals and small employer groups. The key elements of our strategy to achieve our objective are as follows:

Increase penetration in existing markets

Focus on products designed for consumer choice

Diversify our revenue mix

Leverage our existing operating efficiencies and flexible infrastructure

Products

We provide tailored products to meet the varied health insurance needs of individuals and small employer groups. Common features of our products include:

- Choice of co-pay, deductible and coinsurance levels
- Choice of PPO networks
- Availability of comprehensive prescription drug coverage
- Wellness and routine care coverage
- Nurse Healthline, Inc., our health information line

Small Employer Group. Small employer group medical insurance products are targeted to employer groups with 2-50 employees. Our average group size is approximately six employees. Distributed through a network of 20,000 independent agents, small employer group products are customized to allow employers to offer their employees multiple health plan options in a single package.

MedOne[SM]. We market our MedOne[SM] medical insurance products to individuals and their families. These products are designed to meet the various health insurance needs and budgets of consumers. Sold through independent agents, MedOne[SM] insurance products are designed for cost-conscious consumers and feature attractive premium rates, protection from catastrophic medical costs and increased patient responsibility for routine health expenses.

Dental. GroupDentalChoice[SM] offers our members a choice in benefit plans, with access to any dental provider, and coverage for a complete range of dental services, from preventative maintenance to major dental expenses. Our dental coverage product, can be purchased through employer sponsored plans or on a voluntary basis with no employer contribution requirements.

Other. We also offer self-funded benefit administration services for employers that want to assume a portion of the financial risk for their own health plans. In conjunction with our benefit administration services, we offer excess of loss reinsurance to cover catastrophic losses of the self-funded plan. Additionally, we offer COBRA administration services to groups subject to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

We augment our core business with a select line of products and services. Ancillary benefits available with our plans include term-life, short-term medical, short-term disability, accidental death and dependent life insurance.

We provide our members and plan participants with toll-free, personal customer service 24 hours-a-day, seven days a week. In addition, through our wholly owned subsidiary, Nurse Healthline, Inc., our members and plan participants have access to a toll-free 24-hour health information line staffed by registered nurses.

Spin-off and Other Recent Transactions

In September 1998, when our name was United Wisconsin Services, Inc., we spun off our managed care companies and specialty products business to our shareholders. We did this by transferring all of our subsidiaries comprising the managed care and specialty products business to a newly created subsidiary named Newco/UWS, Inc., a Wisconsin corporation, and distributing 100% of the issued and outstanding shares of common stock of Newco/UWS to our shareholders. In connection with the spin-off, we adopted our current name of American Medical Security Group, Inc., and Newco/UWS changed its name to United Wisconsin Services, Inc., which has since changed its name to Cobalt Corporation.

As of December 31, 2001, Blue Cross & Blue Shield United of Wisconsin, the selling shareholder in this offering, which is a wholly owned subsidiary of Cobalt, owned approximately 45% of our outstanding common stock. In early 2002, Cobalt and the selling shareholder amended their Schedule 13D filed with the Securities and Exchange Commission indicating, among other things, a desire to reduce the selling shareholder's investment in our stock and to nominate four persons for election to our Board of Directors at the 2002 annual meeting of

shareholders.

On March 19, 2002, we entered into a stock purchase agreement with Cobalt and the selling shareholder in which we agreed to repurchase 1,400,000 shares of our common stock from the selling shareholder at a price of $13.00 per share in cash, or an aggregate of $18,200,000. We completed the share repurchase on March 22, 2002, reducing the selling shareholder's ownership to 39% of our outstanding common stock, and the selling shareholder withdrew its previously delivered notice of its intention to nominate a slate of directors for election at our 2002 annual meeting of shareholders.

On March 19, 2002, in accordance with the terms of the stock purchase agreement, our Board of Directors increased the size of the Board to 14 directors and appointed two new directors nominated by Cobalt, Thomas R. Hefty and Kenneth L. Evason, effective upon the closing of the share repurchase on March 22, 2002. Pursuant to the stock purchase agreement, Cobalt is entitled to designate two director nominees to our Board for so long as the selling shareholder holds at least 20% of the issued and

outstanding shares of our common stock and will be entitled to designate only one nominee to the Board for so long as the selling shareholder holds at least 10% but less than 20% of the issued and outstanding shares of our common stock. Mr. Hefty, or his successor on our Board, will resign effective immediately upon the date that the selling shareholder owns less than 20% of the then issued and outstanding shares of common stock and Mr. Evason, or his successor on our Board, will resign effective immediately upon the date that the selling shareholder owns less than 10% of the then issued and outstanding shares of our common stock. Following this offering, the selling shareholder will beneficially own 2,299,525 shares, or approximately 18%, of our common stock, assuming no exercise of the over-allotment option. For so long as Cobalt has any nominees on our Board, the selling shareholder has agreed to vote its shares for the slate of directors nominated by our Board of Directors. Pursuant to the stock purchase agreement, Cobalt and the selling shareholder have also agreed to certain "standstill" provisions. For a more complete description of the stock purchase agreement and related matters, see "Certain Transactions Stock Purchase Agreement" elsewhere in this prospectus.

Because the record date for our 2002 annual meeting of shareholders is April 15, 2002, purchasers of our common stock in this offering will not be entitled to vote shares purchased in this offering at this year's annual meeting.

Corporate Information

Our principal executive offices are located at 3100 AMS Boulevard, Green Bay, Wisconsin 54313. Our telephone number is (920) 661-1111.

The Selling Shareholder

Blue Cross & Blue Shield United of Wisconsin, an insurance company and a Wisconsin corporation, is selling all of the shares offered by this prospectus. We agreed to register the shares of the selling shareholder to be sold in this offering pursuant to a registration rights agreement dated September 1, 1998 and as part of a transaction effected on March 22, 2002 in which we repurchased 1,400,000 shares of our common stock from the selling shareholder. See "Certain Transactions" included elsewhere in this prospectus. The selling shareholder beneficially owned 4,909,525 shares, or 39%, of our common stock outstanding as of March 31 and April 30, 2002. Following this offering, the selling shareholder will beneficially own 2,299,525 shares, or approximately 18%, of our common stock, assuming no exercise of the over-allotment option.

The Offering

Common stock offered by the selling shareholder	2,610,000 shares
Common stock to be outstanding after the offering	12,590,166 shares
Use of proceeds	We will not receive any of the proceeds from this offering.

New York Stock Exchange symbol	AMZ
Risk factors	See the section entitled "Risk Factors" beginning on page 9 for a discussion of factors you should consider carefully before deciding to buy our common stock.

Unless otherwise stated, all information contained in this prospectus assumes no exercise of the over-allotment option granted to the underwriters.

The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of April 30, 2002 and excludes:

- 3,454,040 shares of common stock issuable upon exercise of options outstanding as of April 30, 2002 at a weighted average exercise price of $9.38 per share; and
- 241,297 shares of common stock available for future grant under our stock option plans.

Summary Consolidated Financial Data
(In thousands, except share data)

	Three Months Ended March 31,		Year Ended December 31,				
	2002	**2001**	**2001**	**2000**	**1999**	**1998(1)**	**1997(1)**
Statement of Operations Data:							
Revenues:							
Premium revenue	$ 194,401	$ 222,470	$ 838,672	$ 951,071	$ 1,056,107	$ 914,017	$ 957,204
Net investment income	3,924	4,514	17,443	19,007	19,766	20,550	22,217
Net realized investment gains (losses)	14	(27)	(779)	(325)	(854)	3,670	1,854
Other revenue	5,405	5,301	21,285	20,112	22,361	22,632	24,249
Total revenues	203,744	232,258	876,621	989,865	1,097,380	960,869	1,005,524
Expenses:							
Medical and other benefits	131,800	166,580	601,942	724,613	860,473	691,767	733,491
Selling, general and administrative	62,024	71,411	257,742	251,767	268,059	242,073	252,160
Interest	494	876	2,877	3,584	3,564	7,691	9,311
Amortization of goodwill and other intangibles(2)	183	907	3,628	3,785	4,273	8,781	7,975
Write-off of intangible assets and related charges						15,453	
Total expenses	194,501	239,774	866,189	983,749	1,136,369	965,765	1,002,937
Income (loss) from continuing operations, before income taxes	9,243	(7,516)	10,432	6,116	(38,989)	(4,896)	2,587
Income tax expense (benefit)	3,813	(2,376)	6,257	3,447	(13,043)	(1,868)	1,032

	Three Months Ended March 31,		Year Ended December 31,				
Income (loss) from continuing operations	5,430	(5,140)	4,175	2,669	(25,946)	(3,028)	1,555
Income from discontinued operations, less applicable income taxes						10,003	16,595
Net income (loss)	$ 5,430	$ (5,140)	$ 4,175	$ 2,669	$ (25,946)	$ 6,975	$ 18,150
Earnings (loss) per common share basic							
Continuing operations	$ 0.39	$ (0.36)	$ 0.30	$ 0.18	$ (1.58)	$ (0.18)	$ 0.10
Discontinued operations						0.60	1.01
Net income (loss) per common share basic	$ 0.39	$ (0.36)	$ 0.30	$ 0.18	$ (1.58)	$ 0.42	$ 1.11
Earnings (loss) per common share diluted							
Continuing operations	$ 0.37	$ (0.36)	$ 0.29	$ 0.18	$ (1.58)	$ (0.18)	$ 0.10
Discontinued operations						0.60	1.00
Net income (loss) per common share diluted	$ 0.37	$ (0.36)	$ 0.29	$ 0.18	$ (1.58)	$ 0.42	$ 1.10
Weighted average common shares outstanding	13,803	14,211	14,049	14,899	16,470	16,559	16,423
Cash dividends per common share	$	$	$	$	$	$ 0.36	$ 0.48

	March 31, 2002
Balance Sheet Data:	
Cash and investments	$ 272,790
Total assets	448,346
Notes payable	34,758
Total shareholders' equity	213,575

(1) Our discontinued operations include the operations of Newco/UWS., Inc., which is now known as Cobalt Corporation, through September 25, 1998, the date on which we spun off Newco/UWS to our shareholders. Our continuing operations prior to September 11, 1998 include interest on debt assumed by Newco/UWS on September 11, 1998, the spin-off effective date.

(2) Beginning January 1, 2002 we adopted Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, which changed the way we account for goodwill. See Note 2 to the Consolidated Financial Statements for details regarding the impact of this change in accounting.

Risk Factors

You should carefully consider the following risk factors and other information in this prospectus before deciding to invest in the shares.

Risks Relating to Our Business

If we are unable to accurately estimate medical claims and control health care costs, our results of operations may be materially adversely affected.

We estimate the costs of our future medical claims and other expenses using actuarial methods based upon historical data, cost trends, product mix, seasonality, utilization of health care services and other relevant factors. We establish premiums based on these methods. The premiums we charge our customers generally are fixed for one-year periods, and therefore, costs we incur in excess of our medical claim projections generally are not recovered in the contract year through higher premiums. Certain factors may and often do cause actual health care costs to vary from what we estimated and reflected in premiums. These factors may include:

an increase in the rates charged by providers of health care services and supplies, including pharmaceuticals;

higher than expected use of health care services by our members;

the occurrence of bioterrorism, catastrophes or epidemics;

changes in the demographics of our members and medical trends affecting them; and

new mandated benefits or other regulatory changes that increase our costs.

The occurrence of any of these factors, which are beyond our control, could result in a material adverse effect on our business, financial condition and results of operations.

We conduct business in a heavily regulated industry, and changes in government regulation could increase our costs of compliance or cause us to discontinue marketing our products in certain states.

Our business is extensively regulated by federal and state authorities. Some of the new federal and state regulations promulgated under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, relating to health care reform are unsettled. These regulations may require us to implement additional changes in our current programs and systems in order to maintain compliance, which will increase our expenses.

Federal and state legislatures are considering health care reform measures including a "Patients' Bill of Rights", which may result in higher medical costs. Additional proposed reform measures could materially affect our ability to apply medical underwriting standards to our MedOne^{SM} applicants upon issuance or renewal of coverage. In addition, the implementation of "prompt pay" laws, whereby a claim must be paid in a certain number of days regardless of whether it is a valid claim or not, subject to a right of recovery, may have a negative effect on our results of operations.

We are also subject to changes in state laws that may restrict the manner in which we provide telephonic health information through Nurse Healthline, Inc., which may require us to discontinue the service in a particular state. States periodically review laws and regulations regarding the selection and pricing of risks, and new regulations regarding these issues could increase our costs and decrease our premiums. We have in the past, and may in the future, decide to discontinue marketing our products in states which have enacted, or are considering, various health care reform regulations.

Our failure to comply with new or existing government regulation could subject us to significant fines and penalties.

Our efforts to measure, monitor and adjust our business practices to comply with the law are ongoing. Failure to comply with enacted regulations, including prompt pay laws and the other laws mentioned above, could require us to pay refunds or result in significant fines, penalties, or the loss of one or more of our licenses. We have been subject to regulatory penalties, assessments and restitution orders in a number of states in which we operate. We are currently subject to a regulatory proceeding in Florida and may from time to time be subject to inquiries in

other states related to our rating activities and other practices. The result of these regulatory actions is unknown and may have a material adverse effect on us. Furthermore, federal and state laws and regulations continue to evolve. The costs of compliance may cause us to change our operations significantly, or adversely impact the health care provider networks with which we do business, which may adversely affect our business and results of operations.

Our current rating practice in certain states may be subject to regulatory review and change which could have a material adverse effect on our operating results.

We currently recalculate the premiums charged to MedOne[SM] insureds at the annual renewal of the plan. We consider factors including age, geographic location, benefit design, provider network, family status, smoking status and health status. The use of health status to compute renewal premiums is sometimes called tier rating. This rating practice allows us to calculate premium rates based on the expectation of future health care costs. The Florida Department of Insurance is currently challenging our rating practice in a regulatory proceeding. An administrative law judge found in our favor in the Florida regulatory proceeding and has recommended to the Florida Department of Insurance that all claims against us be dropped. The administrative law judge's recommended order has been sent to the Commissioner of the Florida Department of Insurance for entry of a final order. We and the Department have filed arguments with the Commissioner, who must now decide whether to adopt the recommended order as presented or modify it. In a similar, but procedurally unrelated action, a Florida circuit court judge made substantially opposite rulings on similar facts and issues. See the immediately succeeding risk factor and "Business Legal Proceedings Florida Regulatory and Class Action Litigation." From time to time, other states may review and question this practice as well. The outcome of these regulatory inquiries and proceedings is uncertain. We may change our rating practices in certain of these states. If we do, this change may have an impact on our ability to competitively price our products and also may require us to increase the rates charged to our healthier members, potentially causing those members to seek coverage from our competitors. In addition, it is possible that such regulatory inquiries and proceedings could result in substantial fines or penalties, including the loss or suspension of our license to sell insurance in one or more states.

We are subject to class actions and other forms of litigation in the ordinary course of our business, including litigation based on new or evolving legal theories, which could result in significant liabilities and costs.

The nature of our business subjects us to a variety of legal actions and claims relating but not limited to the following:

- denial of health care benefits;
- disputes over rate increases and practices or termination of coverage;
- disputes with agents over compensation or other matters;
- disputes related to claim administration errors and failure to disclose network rate discounts and other fee and rebate arrangements;
- disputes over our co-payment calculations; and
- customer audits of our compliance with our plan obligations.

In addition, we are defendants in a class action lawsuit in Florida alleging, among other things, that we did not follow applicable regulations in connection with the termination of insurance coverage. Plaintiffs claim we wrongfully terminated coverage, improperly notified insureds of conversion rights and charged improper premiums for new coverage. Plaintiffs also assert our renewal rating methodology violates Florida law. On April 24, 2002, the circuit court judge in this action found against us on the above issues and has ordered that the question of damages be tried before a jury. In a similar, but procedurally unrelated action, an administrative law judge made substantially opposite rulings on similar facts and issues. See the immediately preceding risk factor. For additional information, see "Business Legal Proceedings Florida Regulatory Action and Class Action Litigation." We cannot predict with certainty the outcome of this or other lawsuits or the potential costs involved. Regardless of the outcome, these lawsuits can result in negative publicity and force our management to devote significant time and attention to these matters as well as subjecting us to significant liability exposure and legal expenses.

Competition in our industry may limit our ability to attract new members or to maintain our existing membership in force.

We operate in a highly competitive environment. We compete primarily on the basis of price, benefit plan design, strength of provider networks, quality of customer service, reputation and quality of agent relations. We compete for members with other health insurance providers and managed care companies, many of whom have larger membership in regional markets and greater financial resources than we do. We can not assure you that we will be able to compete effectively in this industry. As a result, we may be unable to attract new members or maintain our existing membership and our revenues may be adversely affected.

Our future operating performance is largely dependent on our ability to execute our growth strategy.

We have experienced a decline in membership over the last several years as part of our strategy to improve profitability and exit certain markets. Our challenge will be to increase the number of individuals and small employer groups purchasing our products and services while encouraging our current preferred membership to retain their business relationship with us. If we do not successfully implement our growth goals, it will have an adverse effect on our future operating performance.

A failure of our information system could adversely affect our business.

Information processing is critical to our business. We depend on our information system for timely and accurate information. Our failure to maintain an effective and efficient information system or disruptions in our information system could cause disruptions in our business operations, including any of the following:

failure to comply with prompt pay laws;

loss of existing members;

difficulty in attracting new members;

disputes with members, providers and agents;

regulatory problems;

increases in administrative expenses; and

other adverse consequences.

We depend on the services of non-exclusive independent agents and brokers to market our products to potential customers. We cannot assure you that they will continue to market our products in the future or that they will not refer our members to our competitors.

We market our products solely through non-exclusive, independent agents and brokers. In addition, they frequently market the health care products of our competitors as well as our products. Most of the contracts are terminable

without cause upon 30-days notice by either party. We face intense competition for the services and allegiance of independent agents and brokers, and we cannot assure you that agents and brokers will continue to market our products and services.

If our insurers or reinsurers do not perform their obligations or offer affordable coverage with reasonable deductibles or limits, we could experience significant losses.

Our risk management program includes several insurance policies we have purchased to cover various property, business and other risks of loss. In addition, we carry several policies to cover our directors and officers and managed care errors and omissions. Many of the carriers marketing these lines of coverage are experiencing unfavorable claims experience and loss of their own reinsurance coverage. Several carriers have exited markets and no longer offer certain lines of coverage. Accordingly, there is no assurance that we will continue to be able to purchase insurance coverages for our own risk management at affordable premiums or with reasonable deductibles and policy limits.

We have entered into and will continue to enter into a variety of reinsurance arrangements under which we cede business to other insurance companies to mitigate large claims risk. Although reinsurance allows for greater diversification of risk relating to potential losses arising from large claims, we remain liable if these other insurance companies fail to perform their obligations.

As a result, any failure of an insurance company to perform its obligations under an agreement could expose us to significant losses.

Any loss of key personnel and the inability to attract and retain qualified employees could have a material adverse impact on our operations.

We are dependent on the continued services of our management team, including our key executives. Any loss of such personnel without adequate replacement could have a material adverse effect on us. Members of our senior management have developed relationships with some of our independent agents and brokers. If we are unable to retain these employees, the loss of their services could adversely impact our ability to maintain relations with certain independent agents and brokers who market our products. Additionally, we need qualified managers and skilled employees with insurance industry experience to operate our businesses successfully. From time to time there may be shortages of skilled labor which may make it more difficult and expensive for us to attract and retain qualified employees. If we are unable to attract and retain qualified individuals or our costs to do so increase significantly, our operations could be materially adversely affected.

Our inability to enter into or maintain satisfactory relationships with provider networks could harm our profitability.

Our profitability could be adversely impacted by our inability to contract on favorable terms with hospitals, physicians, dentists, pharmacies and other health care providers. The failure to secure cost-effective health care provider contracts may result in a loss of membership or higher medical costs. In addition, the inability to contract with providers, the inability to terminate contracts with existing providers and enter into arrangements with new providers to serve the same market or the inability of providers to provide adequate care, could adversely affect our results of operations.

If our insurance subsidiaries are not able to maintain their current rating by A.M. Best, our results of operations could be materially adversely affected.

We are assigned a rating by A.M. Best Company, a nationally recognized rating agency, which reflects its opinions of our insurance subsidiaries' financial strength, operating results and ability to meet their ongoing obligations. Decreases in our operating performance and other financial measures may result in a downward adjustment in our insurance subsidiaries' rating. In addition, other factors beyond our control such as general downward economic cycles and changes implemented by

the rating agencies, including changes in the criteria for the underwriting or the capital adequacy model, may result in a decrease in our rating. A downward adjustment in our insurance subsidiaries' rating by A.M. Best could cause our agents or potential customers to look at us with less favor, which could have a material adverse effect on our results of operations.

Regulations governing our insurance subsidiaries could affect our ability to satisfy our obligations to our creditors as they become due, including under our credit facility.

Our insurance subsidiaries are subject to regulations that limit their ability to transfer funds to us. If we are unable to obtain funds from our insurance subsidiaries, we will experience reduced cash flow, which could affect our ability to pay our obligations to creditors as they become due. Over the next three years we will be required to make substantial payments to permanently reduce the principal amount of outstanding balances under our credit facility. If our insurance subsidiaries are unable to provide these funds to us, we could default on the obligations under the credit facility. In addition, the credit facility restricts our ability to incur additional debt and therefore we may be unable to obtain additional funding to make these payments.

A recently enacted accounting pronouncement could require a write-off of all or part of our goodwill which would adversely affect our earnings and net worth.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. This statement requires that goodwill and intangible assets that have indefinite useful lives be tested at least annually for impairment and not be amortized. The effective date of the statement is January 1, 2002 and it may require us to write off all or part of our goodwill during 2002. Goodwill obtained in connection with the original acquisition of certain of our subsidiaries from their founders in 1996 is a substantial portion of our assets. At December 31, 2001, goodwill and other intangible assets represented $103.9 million of our total assets of $473.0 million.

Also, at December 31, 2001, our book value per share was $16.30 and was significantly higher than the $12.45 quoted market price per share. If we determine that the quoted market price per share is the appropriate measure of our fair value, the resulting impairment would be greater than 50% of the amount of goodwill and other intangibles on our December 31, 2001 balance sheet. If we determine that an impairment exists as of January 1, 2002, we would report the charge as the cumulative effect of a change in accounting principles in our consolidated financial statements. Although a write-off of all or a portion of our goodwill would be a non-cash charge, it could materially reduce our earnings and net worth.

If our regulated insurance subsidiaries are not able to comply with state capital standards, state regulators may require us to take certain actions that could have a material adverse effect on our results of operations and financial condition.

State regulations govern the amount of capital required to be retained in our regulated insurance subsidiaries and the ability of those regulated subsidiaries to pay dividends. Those state regulations include the requirement to maintain minimum levels of statutory capital and surplus, including meeting the requirements of the risk-based capital standards promulgated by the National Association of Insurance Commissioners. State regulators have broad authority to take certain actions in the event those capital requirements are not met. Those actions could significantly impact the way we conduct our business, reduce our ability to access capital from the operations of our regulated insurance subsidiaries and have a material adverse effect on our results of operations and financial condition. Any new minimum capital requirements adopted in the future through state regulation may increase our capital requirements.

Risks Relating to This Offering

Our stock price and trading volume may be subject to significant fluctuations.

From January 1 through April 30, 2002, the average daily trading volume for our common stock as reported by the NYSE has been approximately 37,000 shares. We are uncertain as to whether a more active trading market in our common stock will develop following this offering.

From time to time, the price and trading volume of our common stock may experience periods of significant volatility. In the twelve months ended March 31, 2002, our stock price has ranged from $4.80 to $18.15 per share. Our stock price and trading volume may fluctuate in response to a number of events and factors, including:

- quarterly variations in our operating results;
- changes in the market's expectations about our future operating results;
- changes in financial estimates and recommendations by securities analysts concerning us or the health insurance industry generally;
- operating and stock price performance of other companies that investors may deem comparable;
- news reports relating to our business and trends in our markets;
- changes in the laws and regulations affecting our business;

acquisitions and financings by us or others in our industry; and

sales or acquisitions of substantial amounts of our common stock by our directors and executive officers or principal shareholders, or the perception that such sales could occur.

In addition, in recent years the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our stock price, regardless of our operating results.

We have implemented and Wisconsin law contains anti-takeover and other provisions that may adversely affect your rights as a holder of our common stock.

Our articles of incorporation contain provisions that could have the effect of discouraging or making it more difficult for someone to acquire us through a tender offer, a proxy contest or otherwise, even though such an acquisition might be economically beneficial to some of our shareholders. Our Board of Directors is divided into three classes of directors serving staggered terms of three years each. Directors may be removed and the resulting vacancies filled by the shareholders only with the affirmative vote of 80% of the outstanding shares entitled to vote in an election of directors. These provisions may make the removal of management more difficult, even in cases where removal would be favorable to the interests of our shareholders.

We have adopted a shareholder rights plan that is intended to discourage major accumulations of our stock without approval by our Board of Directors. The rights generally will cause substantial dilution to a person or group that attempts to acquire control of us without conditioning the offer on either redemption of the rights or amendment of the rights to prevent this dilution. The rights could have the effect of delaying, deterring or preventing a change of control.

We are subject to the Wisconsin Business Corporation Law, which contains several provisions that could have the effect of discouraging non-negotiated takeover proposals or impeding a business combination. These provisions include:

limiting the voting power of shareholders who own more than 20% of our stock;

requiring a supermajority vote of shareholders, in addition to any vote otherwise required, to approve business combinations with a 10% shareholder not meeting adequacy of price standards;

limiting actions that we can take while a takeover offer for us is being made or after a takeover offer has been publicly announced; and

prohibiting a business combination between us and a 10% shareholder for a period of three years, unless the combination or the acquisition of the 10% interest was approved by our Board of Directors prior to the time the shareholder became a 10% or greater beneficial owner of our shares.

We are also regulated as an insurance holding company by Wisconsin and Georgia, the jurisdictions in which our insurance subsidiaries are domiciled. With some exceptions, these laws require prior approval by state insurance regulators in the event anyone seeks to acquire more than 10% of our outstanding voting securities.

See "Description of Capital Stock" for a more detailed description of these and other provisions.

We do not intend to pay cash dividends.

We have not paid any cash dividends since the spin-off became effective September 11, 1998, and we do not plan to declare or pay dividends in the foreseeable future. Instead, we intend to retain cash for working capital needs, possible acquisitions, to reduce outstanding debt or for other corporate purposes. In addition, our credit agreement prohibits us from declaring or paying any cash dividends without the lenders' consent.

Forward-Looking Statements

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These statements relate, among other things, to the following: earnings, liquidity, business strategy, product expansion and growth and effects of changes in government regulation. These statements may be found under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business." Forward-looking statements typically are identified by use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including:

Unexpected increases in health care costs resulting from advances in medical technology, increased utilization of medical services and prescription drugs resulting from bioterrorism or otherwise, possible epidemics and natural or man-made disasters and other factors affecting the delivery and cost of health care that are beyond our control. There are also known trends, such as the aging of the population, that can have an uncertain effect on health care costs.

Our ability to distribute and sell our products profitably, including, changes in our business relationships with independent agents who sell our products, our ability to retain key producing sales agents, our ability to expand our distribution network, competitive factors such as the entrance of additional competitors into our markets, competitive pricing practices, our ability to generate new sales, sell new products and retain existing members, our ability to predict future health care cost trends and adequately price our products, and our ability to control expenses during a time of declining revenue and membership.

Federal and state laws adopted in recent years, currently proposed, such as the Patients' Bill of Rights, or that may be proposed in the future, which affect or may affect our operations, products, profitability or business prospects. Reform laws adopted in recent years generally limit our ability to use risk selection as a method of controlling costs for our small employer group business.

Regulatory factors, including delays in regulatory approvals of rate increases and policy forms; regulatory action resulting from market conduct activity and general administrative compliance with state and federal laws; restrictions on the ability of our subsidiaries to transfer funds to us or our other subsidiaries in the form of cash dividends, loans or advances without prior approval or notification; the granting and revoking of licenses to transact business; the amount and type of investments that we may hold; minimum reserve and surplus requirements; and risk-based capital requirements.

Factors related to our efforts to maintain an appropriate medical loss ratio in our small employer group and MedOne[SM] health business, including implementing significant rate increases, terminating business in unprofitable markets, introducing redesigned products, and the willingness of employers and individuals to accept rate increases, premium repricing and redesigned products.

The development of and changes in claims reserves.

The effectiveness of our strategy to expand sales of our MedOne[SM] products for individuals and families, to focus our small employer group health product sales in core markets and to grow our ancillary products, including our life, dental and self-funded benefit administration business.

The cost and other effects of legal and administrative proceedings, including the expense of investigating, litigating and settling any claims or paying any judgments against us, and the general increase in litigation involving managed care and medical insurers.

Adverse outcomes of the Florida class action or other litigation in excess of provisions made by us.

Restrictions imposed by financing arrangements that limit our ability to incur additional debt, pay future cash dividends and transfer assets.

Changes in rating agency policies and practices and the ability of our insurance subsidiaries to maintain or exceed their current A- (Excellent) rating by A.M. Best.

General economic conditions, including changes in employment, interest rates and inflation that may impact the performance of our investment portfolio or decisions of individuals and employers to purchase our products.

Our ability to maintain attractive preferred provider networks for our insureds.

Factors affecting our ability to hire and retain key executive, managerial, professional and technical employees.

Changes in accounting principles and the effects related to such changes.

Other business or investment considerations that we may disclose from time to time in our Securities and Exchange Commission filings or in other publicly disseminated written documents.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should also carefully consider the statements under "Risk Factors" and other sections of this prospectus, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements.

Common Stock Market Data

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol "AMZ." The following table sets forth the per share high and low sales prices for our common stock as reported on the NYSE. We paid no cash dividends during the periods indicated.

	2002		2001		2000	
	Share Price		Share Price		Share Price	
	High	Low	High	Low	High	Low
Quarter Ended:						
March 31	$ 18.15	$ 11.00	$ 7.00	$ 4.75	$ 7.75	$ 5.38
June 30 (through May 29, 2002)	20.60	15.45	6.96	5.00	7.25	5.00
September 30			6.85	4.80	8.50	6.25
December 31			12.45	5.60	6.38	4.25

Our credit agreement contains a covenant that prohibits us from declaring or paying any cash dividends. In addition, state insurance regulations limit dividends paid by our insurance subsidiaries to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a discussion of insurance subsidiary dividend limitations.

As of April 15, 2002, there were 239 shareholders of record of our common stock. Based on information obtained from our transfer agent and from participants in security position listings and otherwise, we have reason to believe there are approximately 2,400 beneficial owners of shares

of our common stock.

Use of Proceeds

The selling shareholder will receive all of the net proceeds from the sale of shares of common stock in this offering. We will not receive any of the proceeds from the sale of shares of common stock by the selling shareholder in this offering. See "Underwriting" for a description of our obligation to pay part of the expenses of this offering.

Dividend Policy

We do not currently pay cash dividends and we do not plan to declare or pay dividends in the foreseeable future, but will instead retain cash for working capital needs, possible acquisitions, to reduce outstanding debt or for other corporate purposes. In addition, our credit agreement prohibits us from declaring or paying any cash dividends without the lenders' consent.

Capitalization

The following table sets forth our capitalization as of March 31, 2002. We are not selling any shares and will not receive any proceeds from this offering. The only adjustment to the balance sheet to reflect this offering will be related to our commitment to pay certain expenses of the offering, which will reduce our retained earnings. See "Underwriting" for a description of our obligation to pay part of the expenses of the offering. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	March 31, 2002
	(In thousands)
Debt:	
Notes payable	