

AMERICAN MEDICAL SECURITY GROUP INC
Form 11-K
June 25, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-13154

A. Full title of the plan and the address of the plan, if different from that of
the issuer named below:

AMERICAN MEDICAL SECURITY
RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of
its principal executive office:

AMERICAN MEDICAL SECURITY GROUP, INC.
3100 AMS Boulevard
Green Bay, WI 54313

American Medical Security Retirement Savings Plan

Annual Report on Form 11-K
For the Fiscal Year Ended December 31, 2003

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Years ended December 31, 2003 and 2002

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Report of Independent Registered Public Accounting Firm

The Administrative Committee
American Medical Security
Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of American Medical Security Retirement Savings Plan as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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/s/ Ernst & Young LLP

April 2, 2004
Milwaukee, Wisconsin

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AMERICAN MEDICAL SECURITY RETIREMENT SAVINGS PLAN

Statements of Net Assets Available for Benefits

	DECEMBER 31	
	2003	2002

ASSETS		
Investments, at fair value (NOTE 3):		
Mutual funds	\$54,428,654	\$40,123,456
Common stock of American Medical Security Group, Inc.	731,061	1,234,567
Participant loans receivable	1,086,347	1,234,567
Profit sharing receivable from American Medical Security, Inc.	-	1,234,567
	=====	
Net assets available for benefits	\$56,246,062	\$43,827,117
	=====	

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AMERICAN MEDICAL SECURITY RETIREMENT SAVINGS PLAN

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER	
	2003	2002

Investment gain (loss):		
Net realized and unrealized appreciation (depreciation) in fair value of investments (NOTE 3)	\$10,282,420	\$ (6,234,567)
Interest and dividends	621,365	1,234,567

Less administrative expense	10,903,785	(6,234,567)
	5,500	1,234,567

Contributions:		
Employers'	10,898,285	(6,234,567)

	2,237,034	3,456,789

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Employees'	4,409,024	4

	6,646,058	8
Other	67,478	

Total additions	17,611,821	1
Benefits paid	4,863,586	3

Net increase (decrease)	12,748,235	(1)
Net assets available for benefits at beginning of year	43,497,827	45

Net assets available for benefits at end of year	\$56,246,062	\$43
	=====	

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American Medical Security Retirement Savings Plan

Notes to Financial Statements

December 31, 2003

1. DESCRIPTION OF THE PLAN

The following description of the American Medical Security Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

GENERAL

The Plan is a contributory defined contribution plan covering all full-time and part-time employees of American Medical Security Group, Inc. (AMSG) and its subsidiaries, American Medical Security, Inc. and Nurse Healthline, Inc. (collectively the Company or Employer). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

PARTICIPATION AND VESTING

Employees are eligible to become contributing participants in the Plan and receive matching contributions on the first day of the following month after reaching the age of 18 and after 30 days of eligible service. Employees with 30 days of service that are employed on the last day of the Plan year are entitled to receive profit-sharing contributions for the Plan year.

Participants are immediately vested in their contributions plus actual earnings thereon. Participants do not vest in Company contributions until three years of service, at which time they become fully vested.

The nonvested portion of the Company's profit sharing and matching contributions are forfeited when a participant terminates employment. Profit sharing forfeitures are allocated to the remaining Plan participants, while matching contribution forfeitures are used to reduce future matching contributions. During 2003 and 2002, the Company utilized forfeited amounts of \$179,000 and \$65,000, respectively, to offset the required matching contribution.

American Medical Security Retirement Savings Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

CONTRIBUTIONS, WITHDRAWALS AND LOANS

Plan participants are permitted to make contributions on a before-tax basis each payroll period of 2% to 18% of base compensation, subject to the maximum amount allowed by the Internal Revenue Code (IRC). Participants can change their before-tax contribution percentage any time during the Plan year. Participants direct current contributions and accumulated contributions and earnings between funds offered through the Plan.

In 2003 and 2002, the Company matched 70% of the first 6% of compensation contributed to the Plan by a participant. Additional amounts may be contributed at the option of the Company. In 2002, the Company made a discretionary profit sharing contribution of \$1,269,000, or 2% of eligible wages. No discretionary profit sharing contribution was made in 2003.

Distributions due to retirement, death, permanent disability and termination of employment are provided for as defined within the Plan.

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of one-half of their vested account balance or \$50,000. The loan is secured by the balance in the participant's account and bears interest at a rate commensurate with prevailing rates as determined by the Plan administrator. Principal and interest are repaid through payroll deductions.

TERMINATION OF THE PLAN

The Company has established the Plan with the intention and expectation that the Employer will be able to make contributions indefinitely, but the Employer neither is, nor shall, be under any obligation or liability whatsoever to maintain the Plan for any given length of time. The Company retains the right to modify or terminate the Plan at any time, but may not retroactively reduce the share of any participant or cause the Plan's assets to revert to the Company unless required by law. In the event of termination, the balance of each participant's account would become fully vested, and all assets would be distributed to the participants and beneficiaries.

American Medical Security Retirement Savings Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

EXPENSES

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Administrative expenses of the Plan are paid from Plan assets to the extent not paid by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT VALUATION AND ACCOUNTING METHOD

The Plan's financial statements are prepared on the accrual basis of accounting. The Plan's investments are stated at fair value. The fair value of mutual fund shares and AMSC common stock are based on the quoted market values on the last business day of the Plan year. The fair value of the participation units in the common trust fund is based on quoted redemption values. Participant loans are stated at their unpaid principal balance, which approximates fair value.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Company to make estimates that affect the amounts reported in the Plan's financial statements and accompanying notes. Actual results could differ from these estimates.

3. INVESTMENTS

The following individual investments represent 5% or more of the Plan's net assets available for benefits:

	DECEMBER 31	
	2003	2002
Investments at fair value as determined by quoted market price or redemption value:		
Alleghany Montague & Caldwell Growth Fund	\$11,612,658	\$8,968,682
MCM Stable Asset Fund	6,774,529	6,335,953
Scudder Growth & Income Fund	5,508,156	4,217,761
CS Warburg Pincus Emerging Growth Fund	4,762,419	3,274,196
Merrill Lynch International Value Fund	4,458,953	2,894,452
Neuberger Berman Genesis Trust Fund	5,411,797	4,020,858
SSgA Emerging Markets Fund	3,121,175	1,756,953
Gabelli Equity Income Fund	3,617,008	3,373,587

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American Medical Security Retirement Savings Plan

Notes to Financial Statements (continued)

3. INVESTMENTS (CONTINUED)

The Plan's investments, including gains and losses on investments bought, sold and held during the year, appreciated (depreciated) in fair value as follows:

	YEAR ENDED DECEMBER 31	
	2003	2002
Mutual funds	\$ 9,907,242	\$ (6,903,851)
Common stock of American Medical Security Group, Inc.	375,178	56,579

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 \$ 10,282,420 \$(6,847,272)
 =====

4. INCOME TAX STATUS

The underlying non-standardized prototype plan has received an opinion letter from the Internal revenue Service (IRS) stating that the form of the plan is qualified under Section 401 of the Internal Revenue code, and therefore, the related trust is tax exempt. In accordance with the Revenue Procedure 2002-6 and Announcement 2001-77, the Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

5. TRANSACTIONS WITH PARTIES IN INTEREST

Certain administrative expenses are provided by the Company at no cost to the Plan.

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American Medical Security Retirement Savings Plan

Employer Identification Number 39-1431799
 Plan number 001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2003

Identity of Issuer, Borrower/ DESCRIPTION OF INVESTMENT	UNITS/ SHARES	CUR VA
American Century / International Growth Investors Fund	34,127	\$
American Funds Washington Mutual Fund	60,821	1,
Dreyfus GNMA Fund	90,317	1,
Dreyfus S&P 500 Fund	38,842	1,
Gabelli Equity Income Fund	220,549	3,
Merrill Lynch International Value Fund	199,238	4,
Alleghany Montague & Caldwell Growth Fund	532,935	11,
MCM Stable Asset Fund	493,782	6,
INVESCO Small Company Growth Fund	130,466	1,
Janus Twenty Fund	17,629	
Neuberger Berman Genesis Trust Fund	146,146	5,
Strong Corporate Bond Fund	121,583	1,
Scudder Growth & Income Fund	273,493	5,
CS Warburg Pincus Emerging Growth Fund	173,811	4,
CS Warburg Pincus Global Fixed Income Fund	115,734	1,
SSgA Emerging Markets Fund	185,674	3,
American Medical Security Group, Inc. common stock*	59,388	
Participant loans receivable (interest rates range		

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from 5.00% to 9.75%)

1,

\$56,
=====

*Represents a party in interest to the Plan.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee of the American Medical Security Retirement Savings Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DATE: June 25, 2004

AMERICAN MEDICAL SECURITY
RETIREMENT SAVINGS PLAN

/S/ JOHN R. LOMBARDI

John R. Lombardi
American Medical Security Retirement
Savings Plan Administrative
Committee Member

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EXHIBIT INDEX
TO
FORM 11-K ANNUAL REPORT
for fiscal year ended December 31, 2003

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
23	Consent of Independent Registered Public Accounting Firm		X

EX-1