



September 14, 2004

The Board of Directors
American Medical Security Group, Inc.
3100 AMS Boulevard
Green Bay, Wisconsin 54313

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock, no par value per share (the "Common Stock"), of American Medical Security Group, Inc. (the "Company") of the Consideration (as defined below) to be received by such holders in the proposed merger (the "Merger") of the Company with and Ashland Acquisition Corp. ("Merger Subsidiary"), a newly-formed corporation and a wholly owned subsidiary of PacifiCare Health Systems, Inc. (the "Merger Partner"). Pursuant to the Agreement and Plan of Merger (the "Agreement"), among the Company, the Merger Partner and Merger Subsidiary, the Company will become a wholly-owned subsidiary of the Merger Partner, and each outstanding share of Common Stock, other than shares of Common Stock held in treasury, will be converted into the right to receive \$32.75 per share in cash (the "Consideration").

In arriving at our opinion, we have (i) reviewed a draft dated September 13, 2004 of the Agreement; (ii) reviewed certain publicly available business and financial information concerning the Company and the industries in which it operates; (iii) compared the proposed financial terms of the Merger with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies; (iv) compared the financial and operating performance of the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Common Stock and certain publicly traded securities of such other companies; (v) reviewed certain internal financial analyses and forecasts prepared by the management of the Company relating to its business; and (vi) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company with respect to certain aspects of the Merger, and the past and current business operations of the Company, the financial condition and future prospects

and operations of the Company, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to us by the Company or otherwise reviewed by us, and we have not assumed any responsibility or liability therefor. We have not conducted any valuation or appraisal of any assets or liabilities, nor have any such valuations or appraisals been provided to us. In relying on financial analyses and forecasts provided to us, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. We have also assumed that the Merger and any related transactions will be consummated as described in the Agreement and that the definitive Agreement will not differ in any material respect from the draft thereof provided to us. We have relied as to all legal matters relevant to rendering our opinion upon the advice of counsel.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, of the Consideration to be received by the holders of the Common Stock in the proposed Merger and we express no opinion as to the underlying decision by the Company to engage in the Merger.

We have acted as financial advisor to the Company with respect to the proposed Merger and will receive a fee from the Company for our services. We will also receive an additional fee if the proposed Merger is consummated. We and our affiliates have in the past provided commercial banking and investment banking services to the Merger Partner for customary compensation, and one of our affiliates is agent bank under the Merger Partner's primary credit facility. In addition, such affiliate has provided the Merger Partner with a loan commitment to finance a portion of the consideration to be paid in the Merger. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company or the Merger Partner for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Consideration to be received by the holders of the Common Stock in the proposed Merger is fair, from a financial point of view, to such holders.

This letter is provided to the Board of Directors of the Company in connection with and for the purposes of its evaluation of the Merger. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Merger or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval. Notwithstanding the foregoing, the Company shall be entitled to utilize this opinion in connection with its defense of any action, suit or proceeding relating to the Merger and may reproduce this opinion in full and include a discussion of the fees, expenses and indemnification arrangements under the engagement letter between the Company and JPMorgan in any proxy or information statement, prospectus, Schedule 14D-9 or other regulatory filing or submission in each case relating to the Merger which the Company must, under any applicable law, regulation, stock exchange rule, lawful order of a court of competent jurisdiction or request or inquiry from a lawfully authorized public person or body file with or submit or provide to any government or regulatory body or agency or distribute to its shareholders, in each case where such filing or distribution must include this opinion. In such event, the Company may also include references to JPMorgan and summarize this opinion (in each case in such form as JPMorgan shall provide or pre-approve in writing) (such approval not to be unreasonably withheld) in any such document.

Very truly yours,

J.P. MORGAN SECURITIES INC.

