

**RESOLUTIONS
OF
THE BOARD OF DIRECTORS
OF
AMERICAN MEDICAL SECURITY GROUP, INC.
ADOPTED AT A MEETING HELD
ON
SEPTEMBER 14, 2004 (10:00 P.M., CENTRAL DAYLIGHT TIME)**

WHEREAS, the Board of Directors (the "Board") of American Medical Security Group, Inc., a Wisconsin corporation (the "Company"), has unanimously determined that the proposed Agreement and Plan of Merger (the "Merger Agreement") to be entered into by and among the Company, PacifiCare Health Systems, Inc., a Delaware corporation ("Parent"), and Ashland Acquisition Corp., a newly-formed Wisconsin corporation and a wholly-owned subsidiary of Parent ("Merger Subsidiary"), substantially in the form presented to the Board and described at this meeting and the previous meeting of the Board held at 1:30 p.m., Central Daylight Time, on September 14, 2004, and the transactions contemplated thereby, are advisable and in the best interests of the Company and its shareholders.

NOW, THEREFORE, BE IT:

Approval of the Merger Agreement and the Related Transactions

RESOLVED, that the Board has determined that the proposed Merger Agreement and the consummation of the merger of Merger Subsidiary with and into the Company upon the terms and subject to the conditions set forth in the Merger Agreement (the "Merger"), in which each share of common stock, no par value per share, of the Company, together with the associated Company Right (as defined in the Merger Agreement) (collectively, the "Company Common Stock"), outstanding immediately prior to the Effective Time (as defined in the Merger Agreement) shall be converted into the right to receive an amount in cash equal to \$32.75 (the "Merger Consideration"), and the other transactions contemplated by the Merger Agreement are advisable and in the best interests of the Company and the Company's shareholders; and it is further

RESOLVED, that the Merger Agreement and the transactions contemplated thereby (including the Merger) are approved, adopted and authorized in all respects, including, without limitation, approved for purposes of Section 180.1101 of the Wisconsin Business Corporation Law (the "WBCL"), Sections 180.1140 to 180.1144 of the WBCL, and any other applicable merger, antitakeover or similar statute or regulation; and it is further

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to execute and deliver the Merger Agreement in the form presented, with such changes therein as the officers of the Company executing the same shall approve, the signature of such officers thereon to be conclusive evidence of the approval of such changes; and it is further

RESOLVED, that the Amendment (the "Amendment to Rights Agreement") to the Company Rights Agreement (as defined in the Merger Agreement), substantially in the form presented to the Board, be, and it hereby is, approved, adopted and authorized in all respects, in order to expressly render the Company Rights Agreement inapplicable to the Merger Agreement and the transactions contemplated thereby; and it is further

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to execute and deliver the Amendment to Rights Agreement in the form presented, with such changes therein as the officers of the Company executing the same shall approve, the signature of such officers thereon to be conclusive evidence of the approval of such changes; and it is further

Shareholders Meeting

RESOLVED, that the Merger Agreement and any such other agreements or transactions contemplated thereby as to which the appropriate officers of the Company determine that approval and adoption by the Company's shareholders is required, shall, subject to Section 6.2(d) of the Merger Agreement, be submitted to a vote of the Company's shareholders at a special meeting held in accordance with the WBCL, and that the Chairman of the Board is authorized, empowered and directed, in the name and on behalf of the Board, to select the date, time and place of such meeting and to fix, in advance, a record date for the determination of shareholders of the Company entitled to notice of and to vote at such meeting, to provide notice of such meeting to shareholders and to designate proxies to be named in the form of proxy; and it is further

RESOLVED, that the Board hereby recommends, subject to Section 6.2(d) of the Merger Agreement, approval and adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, by the shareholders of the Company; and it is further

RESOLVED, that, subject to the provisions of the Merger Agreement, any proxy statement distributed to shareholders in connection with any meeting of such shareholders held to consider approval and adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, shall contain such recommendation of the Board; and it is further

Securities and Exchange Commission Filings

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to prepare, execute and file or cause to be filed, and to cooperate with Parent in the preparation of, all reports, schedules, statements, documents and information required to be filed by the Company or Parent pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended (the "Securities Act"), and, in each case, the rules and regulations promulgated thereunder, in connection with the Merger Agreement and the transactions contemplated thereby, including, without limitation, the Proxy Statement (as defined in the Merger Agreement), any other proxy materials, an amendment to the Form 8-A in respect of the Company Rights and one or more current reports on Form 8-K, and to mail to shareholders an appropriate notice of such meeting of shareholders, the Proxy Statement and form of proxy (together with all supplements thereto); and it is further

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, with the assistance of counsel, to take all action necessary or appropriate to prepare, execute, deliver and file, or cause to be prepared, executed, delivered and filed, all documents and information required to be filed by the Company pursuant to, and to take all other action necessary or appropriate in connection with, any applicable state or foreign securities laws in connection with the Merger; and it is further

Regulatory Filings

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, with the assistance of counsel, to prepare, execute, deliver and file, or cause to be prepared, executed, delivered and filed, all reports, statements, documents and information necessary or appropriate pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any rules and regulations promulgated thereunder and to respond to all requests for additional information in connection therewith; and it is further

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company to prepare, execute, deliver and file or cause to be prepared, executed, delivered and filed with the appropriate governmental authorities, all reports, statements, documents, certificates, contracts, bonds, agreements, instruments, receipts and other papers and information and to make all payments of fees and expenses, in each case as determined by any of the appropriate officers of the Company to be necessary, appropriate or advisable in connection with the Merger and the transactions contemplated by the Merger Agreement, to respond to all requests for additional information and to do such other things necessary or appropriate in connection with any statute, rule, regulation,

order or decree, whether foreign, federal, national, state, provincial or local; and it is further

Articles of Merger

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company to prepare, or cause to be prepared, and, at the appropriate time as contemplated by the Merger Agreement following adoption of the Merger Agreement by the shareholders of the Company in accordance with the provisions of the WBCL, execute and file, or cause to be filed, articles of merger with the Department of Financial Institutions of the State of Wisconsin and make all other filings or recordings required by the WBCL to be made in connection with the Merger; and it is further

Company Options Treatment in the Merger

RESOLVED, that, all stock options of the Company (the "Company Options") outstanding, whether or not exercisable and vested, immediately prior to the Effective Time under the Company's Equity Incentive Plan, amended and restated February 18, 2004, and the Company's 1995 Director Stock Option Plan, amended as of November 29, 2001 (collectively, the "Company Stock Option Plans"), held by an option holder shall, effective as of the Effective Time, be cancelled, subject to the Company's receipt of any necessary waiver, consent or release from the holder thereof to effectuate such cancellation, in exchange for a single lump sum cash payment to the holder thereof from the Company to be made on the Closing Date (as defined in the Merger Agreement) in an amount equal to the product of (i) the number of shares of Company Common Stock subject to such Company Option immediately prior to the Effective Time and (ii) the difference, if any, of the Merger Consideration less the per share exercise price of such Company Option; and it is further

RESOLVED, that, notwithstanding anything to the contrary contained in the Company Stock Option Plans and Deferred Compensation Plans (as defined in the Merger Agreement), immediately prior to the Effective Time, each outstanding award, whether or not vested (other than the Company Options) under the Company Stock Option Plans and the Company Deferred Compensation Plans that is denominated in Company Common Stock or Company Common Stock Units (including restricted stock, deferred stock and deferred stock units) shall be cancelled for a payment to the holder thereof to be made on the Closing Date in an amount equal to the product of (i) the number of shares of Company Common Stock subject to such award and (ii) the Merger Consideration; and it is further

RESOLVED, that, prior to the Closing Date, the Company will use its reasonable best efforts to obtain all necessary waivers, consents or releases from holders of Company Options in order to give effect to the transactions contemplated by Section 2.4 of the Merger Agreement; and it is further

RESOLVED, that, if the Company does not obtain any necessary waiver, consent or release from a Company Option holder to effectuate the cancellation in exchange for the cash payment equal to the option spread, then, by virtue of the Merger, each Company Option held by such holder shall be converted, effective as of the Effective Time, into an option to purchase shares of common stock, par value \$0.01 per share, of Parent upon the same terms and conditions as were in effect immediately prior to the Effective Time, except that the number of shares subject to such option shall be multiplied by the Option Exchange Ratio (as defined in the Merger Agreement) and the option price per share of such option shall be divided by the Option Exchange Ratio; and it is further

Employee Benefit Plans

RESOLVED, that the Change in Control Severance Benefit Plan shall be amended substantially in the form presented to the Board, to prohibit its amendment in any manner adverse to participants for a period of two years following a Change in Control (as defined in the plan); to provide that any required excise tax "gross up" payment will be made at the same time as other payments and benefits are made under the plan (rather than at the time that the participant's tax returns are filed as currently required) and to specify the assumptions to be used in determining the amount of such payment; and, to provide that the Company will purchase individual health insurance policies for participants as a means of implementing the benefits continuation provided in the event of a Qualifying Separation (as defined in the Change in Control Severance Benefit Plan); and it is further

RESOLVED, that the Company is hereby authorized to enter into an amendment to the employment agreement with Samuel V. Miller (the "Miller Agreement"), substantially in the form presented to the Board, to provide that any required excise tax "gross up" payment will be made at the same time as other payments and benefits are made under the Miller Agreement (rather than at the time that Mr. Miller's tax returns are filed as currently required) and to specify the assumptions to be used in determining the amount of such payment; and to provide that the Company will purchase individual health and life insurance policies for Mr. Miller as a means of implementing the benefits continuation provided in the event of a Qualifying Separation (as defined in the Miller Agreement); and it is further

RESOLVED, that since the Miller Agreement could be terminated with thirty days notice given by the Company prior to December 1, 2004 and will renew for one-year period effective January 1, 2005 (if no such notice is given), the Company is hereby authorized to enter into an amendment to the Miller Agreement to provide that the Company will not issue a notice of intention not to renew the agreement prior to December 3, 2004; and it is further

RESOLVED, that the Company is hereby authorized to enter into an amendment to the Deferred Stock Agreement with Samuel V. Miller (dated November 17, 1998) substantially in the form presented to the Board to provide that Mr. Miller's deferred Company Common Stock shall be cancelled immediately prior to the Effective Time in exchange for an amount equal to the product of (i) the number of shares of Company Common Stock subject to such award and (ii) the Merger Consideration; and it is further

RESOLVED, that the Company's Executive Annual Incentive Plan, the Company's Executive Management 2004 Interim Performance Award (established pursuant to the Executive Annual Incentive Plan), and the Company's 2004 Compensation Management Program are hereby amended as set forth in the Merger Agreement to provide that if the Merger occurs in 2004, a pro-rata portion of each participant's award (based upon the portion of the year worked from January 1, 2004 through the date on which the Effective Time occurs) that would have been paid based on projecting actual performance for the period from January 1, 2004 through the end of the month prior to the Effective Time for the entire calendar year 2004, will be paid by the Company immediately prior to the Effective Time, and that a participant who thereafter remains employed until the end of 2004 shall receive a stub period bonus in respect of 2004; or, if the Effective Time occurs in 2005, the award will be paid on the date such bonus is ordinarily paid or, if earlier, immediately prior to the Effective Time, based on actual performance through the end of the 2004 calendar year; and it is further

Third Party Consents

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to take all such action to notify, or to obtain any authorizations, consents, waivers or approvals of, any third party that such officer or officers deem necessary, appropriate or advisable in order to carry out the terms and provisions of the Merger Agreement and the transactions contemplated thereby or the intent and purposes of these resolutions; and it is further

Retention of Advisors

RESOLVED, that the actions of the directors and officers of the Company with respect to the engagement of J.P. Morgan Securities Inc. and Houlihan Lokey Howard & Zukin Financial Advisors, Inc. as financial advisors to the Company, Ernst & Young LLP as auditors to the Company and Skadden, Arps, Slate, Meagher & Flom LLP as special legal counsel to the Company are hereby approved, adopted, ratified and confirmed in all respects; and it is further

General

RESOLVED, that the appropriate officers of the Company be, and each of them individually hereby is, authorized, empowered and directed to take, or cause to be taken, any and all such further actions, incur such costs or expenses, and to prepare, execute, deliver and file, or cause to be prepared, executed, delivered and filed, all such further reports, schedules, statements, consents, documents, agreements, certificates, instruments and undertakings, in each case, in the name and on behalf of the Company, as contemplated by the Merger Agreement, in connection with any filings under the Securities Act or the Exchange Act or with any other governmental or regulatory authority, or otherwise determined by such officer to be necessary or appropriate to effectuate the Merger or the intention of any of the foregoing resolutions or agreements; and it is further

RESOLVED, that all actions previously taken by any officer or director of the Company in connection with the transactions contemplated by the foregoing resolutions are hereby approved, adopted, ratified and confirmed in all respects.