

**DEFERRED STOCK AGREEMENT  
BETWEEN  
AMERICAN MEDICAL SECURITY GROUP, INC.  
AND  
SAMUEL V. MILLER**

THIS AGREEMENT, effective as of November 17, 1998 (the "Effective Date"), is by and between American Medical Security Group, Inc., a Wisconsin corporation ("AMSG") and Samuel V. Miller (the "Executive"), parties to this Agreement.

**RECITALS**

The Executive is a key employee performing valuable services for AMSG, and AMSG desires to retain the Executive in its service.

It is to the mutual benefit of the parties to this Agreement that the relationship continue and that the Executive continue to contribute to the operations of AMSG.

AMSG desires to reward Executive for his past service, loyalty and counsel, and wishes to provide an inducement to encourage Executive's continued efforts on behalf of AMSG.

AMSG desires to provide such reward and inducement by promising to issue shares of AMSG common stock to the Executive upon the Executive's termination of employment after the satisfaction of certain vesting requirements.

**AGREEMENT**

NOW THEREFORE, AMSG and the Executive agree, in consideration of the mutual promises set forth in this Agreement, as follows:

1. AMSG Deferred Stock. As of the Effective Date, AMSG shall recognize an obligation to issue to the Executive, in accordance with Section 2 of the Agreement, 73,506 shares of AMSG common stock (the "Deferred Stock"), provided that the Executive acquires a vested interest in such Deferred Stock pursuant to the provisions of Section 3 of the Agreement.
2. Issuance of Deferred Stock. Subject to the Executive's satisfaction of the vesting requirements set forth in Section 3 of the Agreement, upon the Executive's termination of employment for any reason, AMSG shall issue to the Executive the Deferred Stock promised under Section 1 of the Agreement. The issuance of such Deferred Stock to the Executive (or to the Executive's designated beneficiary in the event of the Executive's death before such Deferred Stock is issued) shall

occur in a single issuance of shares of AMMSG common stock on January 2nd of the year following the calendar year during which the Executive terminates employment with AMMSG.

At AMMSG's option, the shares of Deferred Stock to be issued to the Executive under the Agreement shall be authorized but as yet unissued shares, treasury shares or shares of AMMSG common stock acquired on the open market.

3. Vesting in Deferred Stock. The Executive shall have a nonforfeitable and vested interest in the Deferred Stock promised under Section 1 of the Agreement on the earliest of the following:
  - (a) November 17, 2002, provided that the Executive remains continuously employed with AMMSG through November 17, 2002;
  - (b) the Executive's death while employed by AMMSG;
  - (c) the Executive's Disability while employed by AMMSG;
  - (d) the occurrence of a Change in Control while the Executive is employed by AMMSG;
  - (e) AMMSG's termination of the Executive for any reason other than Cause if the Fair Market Value of a share of AMMSG's common stock exceeds \$12.00 on the date of the Executive's termination.

If the Executive terminates employment prior to the occurrence of one of the events specified in (a) through (e) above, the Executive shall have no vested interest in any Deferred Stock hereunder and no shares of AMMSG common stock shall be issued to the Executive under this Agreement.

For purposes of this Agreement, the terms "Cause," "Disability," "Change in Control" and "Fair Market Value" shall have the same meanings as provided in the American Medical Security Group, Inc. Equity Incentive Plan, as amended as of the date of this Agreement.

4. No Trust Created. Nothing in this Agreement, and no action taken pursuant to the provisions of this Agreement, shall create or be construed to create a trust of any kind, or a fiduciary relationship between AMMSG and the Executive, his designated beneficiary or any other person. The right of any person to receive Deferred Stock under the provisions of this Agreement shall be an unsecured claim against AMMSG, and no person shall by virtue of the provisions of this Agreement have any interest in such Deferred Stock. To the extent that any person acquires a right

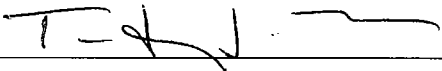
to receive Deferred Stock under this Agreement, such right shall be no greater than the right of any unsecured general creditor of AMMSG.

5. Designated Beneficiary. The Executive shall designate one or more beneficiaries to receive any Deferred Stock issued under this Agreement in the event of the Executive's death prior to such issuance. The Executive may change the designated beneficiary at any time by filing a new beneficiary designation with AMMSG in a form as prescribed by AMMSG. The beneficiary designation form on file with AMMSG at the Executive's death shall be controlling. If the Executive fails to validly designate a beneficiary, any Deferred Stock to be issued after the death of the Executive shall be issued to the Executive's estate.
6. Assignment Prohibited. The Deferred Stock promised hereunder may not be sold transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.
7. Dividends, Other Distributions. Prior to the issuance of Deferred Stock hereunder, the Executive shall not be entitled to receive any dividend equivalents or other distributions which may be paid with respect to AMMSG's common stock, except as provided in Section 11.
8. Binding Agreement. This Agreement constitutes the entire agreement between the parties, may be amended only in writing with the consent of both parties, and shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns, including any successor of AMMSG resulting from a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of AMMSG.
9. Withholding.
  - (a) AMMSG shall have the power and the right to deduct or withhold, or require the Executive to remit to AMMSG, an amount sufficient to satisfy federal, state and local taxes (including the Executive's FICA obligations) required by law to be withheld with respect to any taxable event occurring in connection with the issuance of Deferred Stock hereunder.
  - (b) With respect to any withholding required upon the issuance of Deferred Stock, the Executive may elect, subject to the approval of AMMSG, to satisfy the withholding requirement, in whole or in part, by having AMMSG withhold shares of Deferred Stock having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory tax liability which could be imposed on the transaction. Any election shall be irrevocable, made in writing, and signed by the Executive.

10. AMSG Affiliates. For purposes of the Agreement (including the issuance and vesting provisions in Sections 2 and 3 of the Agreement, respectively), employment with AMMSG shall include employment with any AMMSG Affiliate (as such term is defined in the American Medical Security Group, Inc. Equity Incentive Plan), and a transfer of the Executive's employment among AMMSG and any of its Affiliates shall not be deemed a termination of the Executive's employment.
11. Adjustments in Deferred Stock Shares. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, partial liquidation, stock dividend, extra-ordinary dividend, split-up, spin-off, share combination, or other change in the corporate structure of AMMSG which affects the AMMSG common stock, an appropriate and equitable adjustment shall be made in the number of shares of Deferred Stock, to prevent dilution or enlargement of rights and to preserve the benefit of the Agreement to AMMSG and the Executive.
12. Impact on Other AMMSG Benefits. Neither the promise to issue Deferred Stock, nor the issuance of such Deferred Stock under this Agreement, shall be taken into account in determining the Executive's benefits under any other pension, profit sharing, deferred compensation or welfare benefit plan maintained by AMMSG, unless specifically provided to the contrary in such other plan.
13. Executive's Employment. Nothing in this Agreement shall interfere with or limit in any way the right of AMMSG to terminate the Executive's employment at any time, nor confer upon the Executive any right to continue in the employ of the AMMSG for any given period or upon any specific terms or conditions.
14. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Wisconsin to the extent not preempted by federal law.
15. Requirements of Law. The issuance of Deferred Stock under this Agreement shall be subject to all applicable laws, rules, and regulations, and to any approvals by governmental agencies or national securities exchanges as may be required, and the parties shall make a good faith effort to implement this Agreement in compliance with such applicable laws, rules, regulations and approvals.
16. Accounting Treatment. The parties intend that the issuance of Deferred Stock under this Agreement result in fixed, rather than variable, accounting treatment to AMMSG and shall implement this Agreement in a manner consistent with such intent.

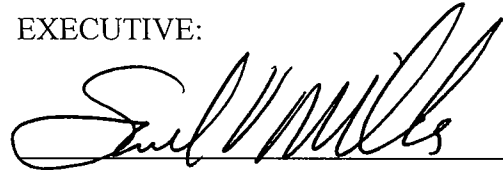
IN WITNESS WHEREOF, the parties have executed this Agreement on this 18th day of January, 1999, with an Effective Date of November 17, 1998.

AMERICAN MEDICAL SECURITY  
GROUP, INC.

By: 

Title: Senior Vice President

EXECUTIVE:



Samuel V. Miller

AMENDMENT  
TO THE  
DEFERRED STOCK AGREEMENT  
BETWEEN  
AMERICAN MEDICAL SECURITY GROUP, INC.  
AND  
SAMUEL V. MILLER

THIS AMENDMENT, dated as of September 15, 2004, is by and between American Medical Security Group, Inc., a Wisconsin corporation ("AMSG") and Samuel V. Miller (the "Executive") and is effective this 15th day of September, 2004.

RECITALS

AMSG and the Executive entered into a Deferred Stock Agreement, effective November 17, 1998, which provides that the Executive will receive 73,506 shares of AMSG common stock (the "Deferred Stock") on January 2<sup>nd</sup> of the year following the year in which the Executive's termination of employment occurs, to the extent that the Deferred Stock is vested on such date.

The Deferred Stock fully vested on November 17, 2002.

The Board of Directors of AMSG has approved the Agreement and Plan of Merger (the "Merger Agreement") to be entered into by and among AMSG, Pacificare Health Systems, Inc., a Delaware corporation, and Ashland Acquisition Corp., a newly formed Wisconsin corporation and a wholly-owned subsidiary of Parent.

Section 2.4(b) of the Merger Agreement provides that immediately prior to the Effective Time (as defined in the Merger Agreement), the Deferred Stock shall be cancelled for a payment equal to the product of (i) the number of shares of AMSG common stock subject to such award, and (ii) the Merger Consideration (as defined in the Merger Agreement).

AGREEMENT

NOW THEREFORE, AMSG and the Executive agree as follows:

1. Notwithstanding anything to the contrary contained in the Deferred Stock Agreement, immediately prior to the consummation of the Merger, the Deferred Stock shall be cancelled for a payment equal to the product of 73,506 and (ii) the Merger Consideration. Upon such event, AMSG shall have no further obligations to the Executive pursuant to the Deferred Stock Agreement.

2. In the event that the Merger is not consummated, this Amendment shall be of no force and effect.

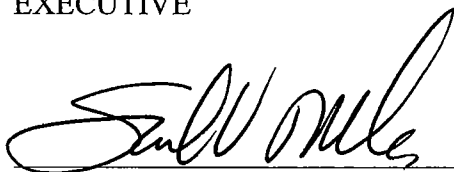
IN WITNESS WHEREOF, the parties have executed this Amendment on this 15<sup>th</sup> day of September, 2004.

AMERICAN MEDICAL SECURITY GROUP

By: \_\_\_\_\_

Name: Timothy J. Moore  
Title: Senior Vice President of  
Corporate Affairs, General  
Counsel and Secretary

EXECUTIVE

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