

CONFIDENTIAL

Company Disclosure Letter

Dated as of September 15, 2004

Reference is hereby made to the Agreement and Plan of Merger (the "Agreement"), dated as of September 15, 2004, by and among American Medical Security Group, Inc., PacifiCare Health Systems, Inc. and Ashland Acquisition Corp. All capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Agreement.

Pursuant to the preamble to Article IV of the Agreement, attached hereto are the schedules comprising the Company Disclosure Letter. In accordance with Section 9.10 of the Agreement, the Company Disclosure Letter is deemed to be part of the entire agreement among the parties with respect to the subject matter of the Agreement. The section and subsection numbers in the Company Disclosure Letter correspond to the section and subsection numbers in the Agreement.

Parent acknowledged and agreed in the preamble to Article IV of the Agreement that any matter set forth in any section or subsection of the Company Disclosure Letter shall be deemed to be a disclosure for all purposes of the Agreement and all other sections or subsections of the Company Disclosure Letter to which such matter could reasonably be expected to be pertinent (except with respect to the last six paragraphs set forth in Sections 4.6, 4.7, 4.8(a), 4.8(b), 4.9(a), 4.9(b), (c) and (d) of the Company Disclosure Letter), but shall expressly not be deemed to constitute an admission by the Company or any of its Subsidiaries, or otherwise imply, that any such matter rises to the level of a Material Adverse Effect on the Company or is otherwise material for purposes of the Agreement or the Company Disclosure Letter. Matters reflected in the Company Disclosure Letter are not necessarily limited to matters required by the Agreement to be reflected in the Company Disclosure Letter. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature.

All references in the Company Disclosure Letter to the enforceability of agreements with Third Parties, the existence or non-existence of Third-Party rights, the absence of breaches or defaults by Third Parties, or similar matters or statements, are intended only to allocate rights and risks among the parties to the Agreement and were not intended to be admissions against interests, give rise to any inference or proof of accuracy, be admissible against any party to the Agreement by any Person who is not a party to the Agreement, or give rise to any claim or benefit to any Person who is not a party to the Agreement. In addition, the disclosure of any matter in the Company Disclosure Letter is not to be deemed an admission that such matter actually constitutes noncompliance with, or a violation of, any Law, Company Permit or Contract or other topic to which such disclosure is applicable.

In no event will the disclosure of matters disclosed on the Company Disclosure Letter be deemed or interpreted to broaden the Company's representations and warranties, obligations, covenants, conditions or agreements contained in the Agreement. The headings contained in the Company Disclosure Letter are for convenience of reference only and shall not be deemed to modify or influence the interpretation of the information contained in the Company Disclosure Letter or the Agreement.

The information contained in the Company Disclosure Letter is current as of the date of the Agreement and the Company expressly disclaims and does not undertake any duty or obligation to update or modify the information disclosed in the Company Disclosure Letter, except as expressly required by Section 6.10 of the Agreement. The information contained in the Company Disclosure Letter is subject to the Confidentiality Agreement.

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Section 4.1(a)
Organization and Qualification: Charter Documents

	Subsidiary	Jurisdiction of Organization
1.	American Medical Security Holdings, Inc.	Wisconsin
2.	American Medical Security, Inc.	Delaware
3.	American Medical Security Insurance Company of Georgia	Georgia
4.	Continental Plan Services, Inc.	Wisconsin
5.	Nurse Healthline, Inc.	Wisconsin
6.	United Wisconsin Life Insurance Company	Wisconsin

Section 4.3(a)
Consents and Approvals: No Violations

See Section 4.3(b) of the Company Disclosure Letter.

Section 4.3(b)
Consents and Approvals: No Violations

	Approval Required	Applicable Subsidiary	State of Domicile	Applicable Government Authority
1.	Form A	United Wisconsin Life Insurance Company	Wisconsin	Wisconsin Office of the Commissioner of Insurance
2.	Form A	American Medical Security Insurance Company of Georgia	Georgia	Georgia Office of the Insurance and Safety Fire Commissioner

In the event of changes of the Company's or its Subsidiaries' officers, directors or shareholders, notification may be required to the qualifying state authorities for business qualifications, certificates, licenses or registrations. In addition, any applicable Form E filings will need to be made.

Section 4.4(a)
Capitalization

Capitalization:

Company Common Stock:

50,000,000 shares authorized

16,654,315 shares issued, including 2,970,932 shares of treasury stock

13,683,383 shares outstanding (includes 20,700 shares of restricted stock)

Company Preferred Stock:

500,000 shares authorized

10,000 shares designated as Series B Junior Cumulative Preferred Stock (5,000 of which are reserved for issuance upon the exercise of preferred share purchase rights issued pursuant to the Rights Agreement, dated as of August 9, 2001, between the Company and Firststar Bank N.A. (with LaSalle Bank, N.A. as successor rights agent), amended as of February 1, 2002 and June 4, 2002.)

No shares issued or outstanding

Company Options outstanding as of September 10, 2004:

2,419,262 options outstanding per Attachment 4.4(a)

Deferred Stock Units payable in shares of Company Common Stock pursuant to Directors Deferred Compensation Plan:

9,178.69 units as of September 10, 2004 **Note:** Additional stock units will be issued on the last day of subsequent calendar quarters for the deferral of the directors' compensation pursuant to irrevocable elections by participants for calendar year 2004 under such Plan.

Deferred Stock pursuant to Deferred Stock Agreement between the Company and Samuel V. Miller dated as of November 17, 1998:

73,506 shares of Company Common Stock

Unexchanged stock certificates resulting from the 1998 corporate name change to American Medical Security Group, Inc. from United Wisconsin Services, Inc. representing 1,217 shares of Company Common Stock. These shares are included the outstanding shares of Company Common Stock listed above.

Investments:

See Sections 4.11(a) and 4.13(a) of the Company Disclosure Letter.

Attachment 4.4(a)

Attachment 4.4(a)

Company Options as of September 10, 2004

Attachment 4.4(a)

Company Options as of September 10, 2004

Attachment 4.4(aa)

**AMERICAN MEDICAL SECURITY, INC
ADVANCED COMMISSIONS
ACCOUNT 100000
ACCOUNT BAL = \$2,829,600.78
AS OF AUGUST 31, 2004
en(er)**

Section 4.4(b)
Capitalization

1.	<p>Pursuant to the Stock Pledge Agreement dated as of December 30, 2002, between the Company and LaSalle Bank National Association (the "Agent"), entered into in connection with the Credit Agreement, dated as of December 30, 2002, among the Company, the Lenders from time to time a party thereto (the "Lenders") and the Agent (the "Credit Agreement"), the Company has granted to the Agent and Lenders a first priority lien on, and security interest in, all of the Company's right, title and interest in and to the outstanding shares of capital stock of American Medical Security Holdings, Inc. ("AMSH"), and any stock rights of such shares.</p>
2.	<p>Pursuant to the Stock Pledge Agreement dated as of December 30, 2002, between AMSH and the Agent, entered into in connection with the Credit Agreement, AMSH has granted to the Agent and Lenders a first priority lien on, and security interest in, all of AMSH's right, title and interest in and to the outstanding shares of capital stock of United Wisconsin Life Insurance Company, and any stock rights of such shares.</p>

Section 4.5(a)
SEC Filings and Financial Statements

See Sections 4.6, 4.7, 4.8(a), 4.8(b), 4.9(a), 4.9(b), 4.9(c), 4.9(d) (in each of the foregoing references exclusive of the last six paragraphs), and 4.12(a) of the Company Disclosure Letter.

Section 4.6
Absence of Certain Changes

See Sections 4.3(a), 4.3(b), 4.7, 4.8(a), 4.8(b), 4.9(a), 4.9(b), (c) and (d), 4.11(a), 4.11(e), 4.12(b), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter.

The Company conducts business in a heavily regulated industry and changes in government regulation could increase the costs of compliance.

The Company is subject to periodic changes in state laws and regulations regarding the selection and pricing of risks and other matters. New regulations regarding these issues could increase the Company's and its Subsidiaries' costs and decrease their premiums.

Federal and state legislatures also are considering regulatory measures that may result in higher health insurance costs. Congress is considering legislation allowing small employers to form association health plans, exempt from state insurance regulations, which may impact the risk profile of employers willing to purchase insurance from the Company. In addition, the implementation of new "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 the Company's results of operations.

The Company's failure to comply with new government regulation could subject it to significant fines and penalties.

Federal and state laws and regulations continue to evolve. The costs of compliance for new laws and regulations may adversely impact the health care provider networks with which the Company does business, which may adversely affect its business and results of operations.

The mere commencement or threatened commencement of any new Litigation, mediation or arbitration shall not, in and of itself, constitute a Material Adverse Effect on the Company.

Section 4.7
Undisclosed Liabilities

See Sections 4.3(a), 4.3(b), 4.6, 4.8(a), 4.8(b), 4.9(a), 4.9(b), (c) and (d), 4.11(a), 4.11(e), 4.12(b), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter.

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Section 4.8(a)
Litigation



See Attachment 4.8(a).

See Sections 4.3(a), 4.3(b), 4.8(b), 4.9(a), 4.9(b), (c) and (d), 4.11(e), 4.12(b), 4.13(b), 4.13(c), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter, except to the extent any such schedule expressly lists Company SEC Documents.

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The inclusion of the information in the foregoing six paragraphs shall not be deemed to be an exception to the representations and warranties contained in Section 4.8(a) with respect to the matters set forth therein to the extent such inclusion constitutes a Material Adverse Effect on the Company.

Section 4.8(b)
Litigation

See Sections 4.3(a), 4.3(b), 4.8(a), 4.9(a), 4.9(b), (c) and (d), 4.11(e), 4.12(b), 4.13(b), 4.13(c), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter, except to the extent of any exceptions in such schedule made with respect to the Company SEC Documents.

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Section 4.9(a)
Compliance with Laws

See Sections 4.3(b), 4.6, 4.7, 4.8(a), 4.8(b), 4.9(b), (c) and (d), 4.11(e), 4.12(b), 4.13(b), 4.13(c), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter.

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The mere commencement or threatened commencement of any new Litigation, mediation or arbitration shall not, in and of itself, constitute a Material Adverse Effect on the Company.

Section 4.9(b), (c) and (d)
Compliance with Laws

See Sections 4.3(b), 4.6, 4.7, 4.8(a), 4.8(b), 4.9(a), 4.11(e), 4.12(b), 4.13(b), 4.13(c), 4.14(b), 4.19(a), 4.20 and 4.25 of the Company Disclosure Letter.

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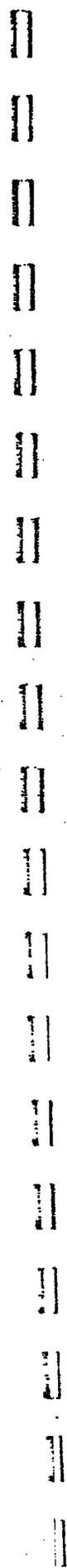
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Section 4.11(a)
Employee Benefit Plans





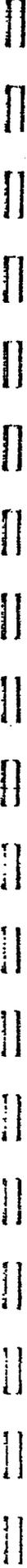
Attachment 4.11(a)

Section 4.11(e)
Employee Benefit Plans

See Sections 4.6, 4.7, 4.8(a) and 4.9(a) (in each of the foregoing references exclusive of the last six paragraphs) of the Company Disclosure Letter.

Section 4.11(f)
Employee Benefit Plans

Section 4.11(g)
Employee Benefit Plans



**Section 4.11(h)
Employee Benefit Plans**

See Sections 4.6, 4.7, 4.8(a) and 4.9(a) (in each of the foregoing references exclusive of the last six paragraphs) of the Company Disclosure Letter.

Section 4.12(a)

Taxes

Section 4.12(b)
Taxes

See Sections 4.6, 4.7, 4.8(a) and 4.9(a) (in each of the foregoing references exclusive of the last six paragraphs) of the Company Disclosure Letter.

Section 4.13(a)
Contracts

See Sections 4.11(a) and 6.1(b) of the Company Disclosure Letter.

Section 4.13(b)
Contracts

See Sections 4.3(a), 4.3(b), 4.6, 4.7, 4.8(a), 4.8(b), 4.9(a), 4.9(b), (c) and (d), 4.11(e), 4.12(b) and 4.14(b) of the Company Disclosure Letter, except with respect to references to the last six paragraphs of Sections 4.6, 4.7, 4.8(a), 4.8(b), 4.9(a), and 4.9(b), (c) and (d) of the Company Disclosure Letter.

Section 4.13(c)
Contracts

Section 4.14(b)
Intellectual Property

See Sections 4.8(a), 4.9(a) (in each of the foregoing references, exclusive of the last six paragraphs), 4.13(b) and 4.13(c) of the Company Disclosure Letter.

Section 4.15(a)
Properties and Assets

1. **The Company owns the property its home office is located on as well as certain contiguous parcels of land. The legal descriptions are as follows:**

Home Office

3100 AMS Boulevard
Green Bay, Wisconsin 54313

Tax Parcel #: VH-727-103

1,786,890 SQ FT

A.M.S. BUSINESS PARK, LOT 3 &
PART OF GOVT LOT 3 SEC 17
T24N R20E DESC IN 1634107 &
EX RD IN 1637951 & EX RD IN
1637952

Adjoining Parcels

Tax Parcel #: VH-470

0.64 AC M/L

LOTS 2 & 3 OF 8 CSM 333 BNG
PART OF SW1/4 NE1/4 SEC 17
T24N R20E

Tax Parcel #: VH-470-4

0.880 AC M/L

LOT 1 OF 8 CSM 333 BNG PART
OF SW1/4 NE1/4 SEC 17 T24N
R20E EX RDS

Tax Parcel #: VH-727-104

75,428 SQ FT

A.M.S. BUSINESS PARK, LOT 4 &
THAT PART OF LOT 5 AS DESC
IN J21487-04

Section 4.15(b)
Properties and Assets

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See Sections 4.6, 4.7 (in each of the foregoing references exclusive of the last six paragraphs) and 4.15(a) of the Company Disclosure Letter.

Section 4.17
Transactions with Affiliates



Section 4.19(a)
Insurance

See Attachment 4.19(a)

Attachment 4.19(a)

**AMERICAN MEDICAL SECURITY GROUP, INC.
SCHEDULE OF INSURANCE POLICIES
03/31/2004 to 02/28/2008 (except as noted)**

Surety Bonds

Section 4.20
Adverse Communications

Section 6.1(a)
Conduct of the Company's Business Pending the Merger

See Sections 4.3(b), 4.11(a), 4.11(e), 4.12(b), 4.13(a), 4.13(b), 4.13(c), 4.14(b), 4.25 and 6.1(b) of the Company Disclosure Letter.

Section 6.1(b)
Conduct of the Company's Business Pending the Merger

Actions permitted to be taken under this Section 6.1(b) of the Company Disclosure Letter shall not be deemed a breach of, or considered in, any determination of whether a breach has occurred of any representation or warranty contained in Article IV.

Section 6.7(a)
Employee Benefits

Section 6.7(c)
Employee Benefits

See attached AMS Severance Protocol.

