

**CHARTER OF THE GOVERNANCE AND NOMINATING COMMITTEE
OF THE BOARD OF DIRECTORS OF PACIFICARE HEALTH SYSTEMS, INC.**

I. PURPOSE OF THE COMMITTEE

The purposes of the Governance and Nominating Committee (the "Committee") of the Board of Directors (the "Board") of PacifiCare Health Systems, Inc. (the "Company") shall be to recommend to the Board individuals qualified to serve as directors of the Company and on committees of the Board; to advise the Board with respect to the Board composition, procedures and committees; to develop and recommend to the Board a set of corporate governance guidelines applicable to the Company; to oversee the evaluation of the Board and the Company's management; and to perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

II. COMPOSITION OF THE COMMITTEE

The Committee shall be composed entirely of members of the Board who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE"). The "Lead Independent Director" shall either be the Chairman of the Board, if the Chairman is an Independent Director, or one of the Independent Directors as designated by the Board, upon the recommendation of the Committee. The Lead Independent Director shall be a member of the Committee.

The members of the Committee shall be elected annually to one-year terms by majority vote of the Board at the first meeting of the Board following the annual meeting of stockholders. After considering the recommendations of the Committee, the Board shall fill any vacancies on the Committee by a majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee shall meet as frequently as the Committee deems necessary to carry out its duties and responsibilities. The Board shall designate one member of the Committee as its Chairperson. The Chairperson of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to

a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board, including a summary of all actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

IV. COMMITTEE RESPONSIBILITIES

The goals and responsibilities listed below are within the authority of the Committee.

A. Board Candidates and Nominees

The Committee shall have the following goals and responsibilities with respect to Board candidates and nominees:

1. To establish procedures for evaluating the suitability of potential director nominees proposed by management or stockholders.
2. To recommend to the Board the director nominees for election by the stockholders or appointment by the Board, as the case may be, pursuant to the Bylaws of the Company, which recommendations shall be consistent with the Board's criteria for selecting new directors. Such criteria include the possession of such knowledge, experience, skills, expertise and diversity so as to enhance the Board's ability to manage and direct the affairs and business of the Company, including, when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation or NYSE listing requirement.
3. To review the suitability for continued service as a director of each Board member when his or her term expires and when he or she has a significant change in status, including but not limited to an employment change, and to recommend whether or not the director should be re-nominated.
4. To periodically develop and recommend to the Board for approval, a succession plan for members of the Board.

B. Board Composition and Procedures

The Committee shall have the following goals and responsibilities with respect to the composition and procedures of the Board as a whole:

1. To review annually with the Board the composition of the Board as a whole and to recommend, if necessary, measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for the Board as a whole and contains at least the minimum number of Independent Directors required by the NYSE.
2. To review periodically the size of the Board and to recommend to the Board any appropriate changes.
3. To make recommendations on the frequency and structure of Board meetings.
4. To make recommendations concerning any other aspect of the procedures of the Board that the Committee considers warranted, including but not limited to procedures with respect to the waiver by the Board of any Company corporate governance guidelines.

C. Board Committees

The following shall be the goals and responsibilities of the Committee with respect to the committee structure of the Board:

1. To make recommendations to the Board regarding the size and composition of each standing committee of the Board of Directors, including the identification of individuals qualified to serve as members of a committee, including the Committee, and to recommend individual directors to fill any vacancy that might occur on a committee, including the Committee.
2. To monitor the functioning of the committees of the Board and to make recommendations for any changes, including the creation and elimination of committees.
3. To review annually committee assignments and the policy with respect to the rotation of committee memberships and/or chairpersonships, and to report any recommendations to the Board.
4. To recommend that the Board establish such special committees as may be desirable or necessary from time to time in order to address ethical, legal

or other matters that may arise. The Committee's power to make such a recommendation under this Charter shall be without prejudice to the right of any other committee of the Board, or any individual director, to make such a recommendation at any time.

D. Corporate Governance

The following shall be the goals and responsibilities of the Committee with respect to corporate governance:

1. To develop and recommend to the Board a set of corporate governance guidelines for the Company, which shall be consistent with any applicable laws, regulations and listing standards. At a minimum, the corporate governance guidelines developed and recommended by the Committee shall address the following:
 - i. Director qualification standards. The qualification standards established by the Committee must reflect at a minimum the independence requirements of the NYSE. The Committee may also develop policies regarding director tenure, retirement, removal and succession, and shall consider whether it is in the best interest of the Company to limit the number of corporate boards on which a director may serve.
 - ii. Director responsibilities.
 - iii. Director access to management and, as necessary and appropriate, independent advisors.
 - iv. Director orientation and continuing education.
2. To review periodically, and at least annually, the corporate governance guidelines adopted by the Board to assure that they are appropriate for the Company, and to recommend any desirable changes to the Board.
3. To consider any other corporate governance issues that arise from time to time, and to develop appropriate recommendations for the Board.

E. Evaluation of the Board

The Committee shall, on an annual basis, be responsible for overseeing the evaluation of each Board member and the Board as a whole. The Committee shall establish procedures to allow it to exercise this oversight function. The Committee shall provide to the Board a report as to the results of its evaluation, including any recommended changes to the Company's or the Board's policies or procedures.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall provide to the Board a report as to the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary. The Committee shall have the sole authority to retain or terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms, such fees to be borne by the Company.