

Clarica Life Insurance Company
Disability Claims Department
227 King St S
PO Box 1601 STN Waterloo
Waterloo ON N2J 4C5
Tel.: (519) 888-2214 (Local Calls) or 1-800-948-1048 (Toll Free)
Fax: (519) 888-3918



CLARICA

August 22, 2001

JOSEPH MCAVOY
5012 VARSITY DRIVE NW
CALGARY AB T3A 1A5

Dear Mr. Mcavoy:

RE: Policy: 90002

Certificate: 000-503-997

What Is The Status of Your Benefit?

Your Claim for Long Term Disability (LTD) benefits has been approved effective August 29, 2001.

What is The Amount of Your Benefit?

Your unadjusted benefit is ~~9236.43~~ monthly with your first payment on August 31, 2001. Payments will be made on the 26th of each month and will be deposited directly into your bank account (if banking information has already been provided).

If you wish to have this deposited directly into your bank account, please fill in the attached Electronic Funds Transfer Form and forward it to Clarica. Don't forget to attach a personalized cheque marked "void". While on direct deposit, there will be no cheque stubs provided.

Definition of "Totally Disabled"

Your benefits will continue to August 29, 2002 if you remain totally disabled for the occupation in which you were engaged immediately prior to the commencement of disability. After that date, benefits will continue IF your illness or injury prevents you from working at ANY occupation related to your education, training or experience. Benefits can continue up to the age of 65 when you will proceed to pension or retirement, whichever is earlier.

Proof of Continuing Disability

Periodic assessment of continuing disability will be conducted by Clarica. For this purpose, you will receive forms for proof of continuing disability to be completed by yourself and your physician. The frequency of such proof will depend upon the nature of the disability.

Benefit Calculation

The LTD plan provides for a reduction of any government primary disability benefit, i.e. under the Canada or Quebec Pension Plan, Workers' Compensation, Government Insurance, etc. Secondary government benefits paid on behalf of dependent children, or any increase in government disability benefits after payment start do not affect the LTD benefit.

If the necessary forms are not completed and returned within the required time period, it will be assumed that the maximum government disability benefit has been granted. This may result in a reduction of the LTD benefit.

Following your reply, if the claim for government disability benefits has been accepted, the group plan requires your LTD benefit to be reduced. If, on the other hand, government benefits have been denied, there will be no change in the LTD benefit amount. You will, however, be required



to periodically update the authorization to Nortel Networks to obtain further information from the government authorities as to the status of your claim.

We are currently paying you your full benefit without reduction, but you may be entitled to disability income from Canada Pension Plan (CPP). If you are eligible to receive this income, the group plan requires your LTD benefit to be reduced. Your full LTD benefit will continue to be payable only if you sign and return the enclosed CPP Agreement and Authorization To Communicate Information forms. This needs to be done within two months from the date of this letter to avoid any interruption in benefits. Please keep the second copy for your records.

By signing this form, you have agreed to do the following:

1. Claim CPP if you haven't already done so. Enclosed is the CPP Application Kit, as well as a brochure explaining the benefits of applying for CPP.
2. Provide us with a copy of the notification that your claim has been approved or denied as soon as you receive it as well as copies of any other correspondence you may receive from CPP.
3. Return the CPP Agreement and Authorization To Communicate Information form to Clairca. (The authorization form will enable us to contact The CPP Office directly to obtain the information we require).
4. Refund to Nortel Networks any amount it has advanced in excess of your entitlement under the plan that results from an award by CPP. If your award is in the form of a lump sum for retroactive benefits, Nortel Networks will be asking you to refund the overpayment in a lump sum. Once your Notice of Entitlement is received we will calculate your adjusted benefit and advise you of the amount to be refunded.

Rehabilitation

If you are receiving income under an approved rehabilitation program, the amount of monthly disability benefits is reduced by 50% of that income. The amount of monthly disability benefit is further reduced so that the total income from all sources does not exceed 85% of your predisability flex earnings. The 85% will be applied to your monthly flex earnings reduced by income tax.

Rehabilitation assistance is available to you. If you would like more information on rehabilitation, contact Clarica Rehabilitation Department at 1-800-229-7089.

Duration of Benefits

The benefit is payable for as long as you remain totally disabled according to the Plan, but not beyond age 65.

Termination of Benefits

The benefit will be terminated in any of the following circumstances:

- when you are declared fit to resume work, or
- if you fail to submit proof of the continuance of total disability as required by Clarica, or
- if you fail to submit, upon request, to a medical examination by a medical examiner appointed by Clarica, or
- if you refuse to participate in a rehabilitation program which has been approved by the attending physician, Nortel's medical staff and Clarica, or