



Date November 6, 2001

To Nortel Networks' Employees
Receiving Long-Term Disability
Benefits

From Employee Services

Effective January 1, 2002 there will be some changes made to the medical and dental/vision/hearing care coverage under the FLEX Benefits program. The accompanying chart shows what's changed for the plus option and for optional life insurance coverage at retirement.

At the time you began receiving long-term disability benefits you selected to remain in the plus option for the medical and dental/vision/hearing care plans and agreed to continue to pay the cost for the plus option. The cost under the plus options will increase beginning January 1, 2002. Please see the attached "Cost Changes for 2002" chart for details. In addition, while on long-term disability, your premiums for optional life insurance, accidental death and dismemberment (AD&D) insurance and optional dependent life insurance are waived.

Since it is the FLEX annual enrollment period, you have an opportunity to change to the company-funded comprehensive option for medical and dental/vision/hearing care coverage. If you make this selection, you will not be able to select the plus option again until you return to work for 60 consecutive days. You must contact Employee Services upon your return if you wish to make changes.

If you choose to remain in the plus option and pay the increased cost for 2002, you will be receiving a letter in January 2002 with instructions regarding payment.

If you choose to select the comprehensive option, you will not be required to remit any payment for this level of coverage, however, you will be required to complete a waiver form. Please contact Employee Services no later than **December 31, 2001** to request a copy of the waiver form.

FLEX is a key component of your Total Rewards package at Nortel Networks, which includes substantial assistance accumulating capital for retirement, a generous paid-time off package, and other programs aimed at improving the quality of work life.

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To make 2002 cost-sharing decisions, we analyzed the market and other external, as well as internal, factors that influence cost. Our analysis confirmed that, overall, Nortel Networks is closely in line with the competition in both the benefits coverage levels our plans offer and our cost-sharing arrangement.

If you need any other information regarding FLEX 2002, contact Employee Services at 905-863-4636 or toll-free at 1-800-684-4636.

What's New and Different for 2002

The year 2002 brings changes to certain benefits under FLEX. The following chart shows what's changed for Medical and Dental/Vision/Hearing Care – Plus option. It also notes the change for Optional life insurance at retirement.

	2001	2002
HEALTH CARE BENEFIT CHANGES		
Medical Plan		
Electric wheel chairs	Covered at 50% reimbursement level to a lifetime maximum of \$1000 per person.	Reimbursement level: 100% To a lifetime maximum of \$20,000 per person
Private-duty nursing*	Maximums apply per disability \$15,000	Maximums apply per calendar year \$15,000
Physiotherapy* and acupuncture**	Combined maximum of \$1,000 per person per year	Physiotherapy maximum per person per year: \$1,000 Acupuncture maximum per person per year: \$500
Psychologist services	Maximums per person per year: \$500	Maximum per person per year: \$1,000

* Requires a referral from a physician (MD).

**Services must be performed by a licensed medical doctor (MD) or a licensed acupuncturist approved by the regulating body in your province.

	2001	2002
HEALTH CARE BENEFIT CHANGES (continued)		
Dental/Vision/Hearing Care Plan		
Full mouth X-rays	Covered once every 36 months	Covered once every 60 months
Complete oral examinations (These are not recall exams provided every 6 months)	Covered once every 36 months	Covered once every 60 months
Oral hygiene instruction	Covered with no maximum frequency	Covered once per lifetime
Dental implants	Not covered	Reimbursement level: 50% Up to the amount that would have been paid for a bridge or other alternate dental treatment other than implants
Laser eye surgery	Not covered	Covered along with other vision care services at current reimbursement levels: 100% to a maximum of \$300 every 2 calendar years
Assignment of dental claims	You can assign payment of your dental claim reimbursement to be sent directly to your dentist	You can no longer assign payment directly to your dentist. You must pay your dentist and receive reimbursement directly from Clarica
Clarica Customer Access	Not available	You now can request that medical and dental/vision/hearing care claims payments are directed to your bank account. If you have internet access, you can also look up the status of your claims on the Clarica Customer Access Web site. For more information call Clarica at 1-800-229-7089.
Life Insurance Coverage		
Optional life insurance	Coverage continues for retirees at their own cost, but ends at age 65	Coverage ends at retirement or age 65, whichever is earlier