

ADVISORY LETTER

AL 20 - 02

October 21, 2002

TO: ALL FIR MEMBER COMPANIES

Gentlemen and Mesdames:

RE: INCREASES TO HEALTH & WELFARE PLAN PREMIUMS

Following the recommendation of the Plan Consulting Actuary, the Trustees of the I.W.A. Forest Industry Health and Welfare Plan #1 have agreed to a \$15 per month increase in the employer contribution rate, effective December 1, 2002. We know that this increased payroll cost comes at an inopportune time for a struggling industry, however, this rate has not been increased for four years and we have been convinced of the necessity of this change.

For the vast majority of FIR companies, this will mean that the monthly contribution made to Pacific Blue Cross for Health and Welfare, Life Insurance and Accidental Death and Dismemberment coverage will increase from \$95 per month per covered employee to \$110 per month. For those operations paying an experience surcharge or receiving an experience-rating rebate, the same dollar value will be added to (or deducted from) your monthly contribution rate.

The principal reasons for this change are as follows:

- (1) Weekly Indemnity claims experience has significantly worsened over the past year. Layoffs, downsizing, and plant closures have led to a decline of 18% in the number of covered members in 2002 to date, while the average level of WI claims has increased by 17% over the same period.

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- (2) Consequently, the Plan's unallocated surplus of \$3.2 million at December 31, 2001 has been depleted and can no longer be used to "subsidize" the monthly contribution rate.

- (3) Life Insurance and Accidental Dismemberment Insurance coverage were increased by \$20,000 (to \$100,000 effective June 15, 2002) as a result of 2000 Negotiations without an increase in the contribution rate at that time.

The Trustees will continue to closely monitor Plan experience over the next six months and further contribution level changes will be made if appropriate.

Pacific Blue Cross will be providing separate notification of this change to each operation.

If you have any questions or would like further details, please contact the undersigned.

Yours very truly,



Thomas J. Getzie
Vice President, Education and
Benefits Administration