BETHLEHEM STEEL CORPORATION LETTERHEAD

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BETHLEHEM, PA 18016-7699

ROBERT S. MILLER, Jr.
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

March 25, 2003

Dear Bethlehem Steel Retiree:

On March 24, 2003, the U.S. Bankruptcy Court, having jurisdiction of Bethlehem's bankruptcy cases, authorized Bethlehem to terminate the retiree medical and life insurance benefits for essentially all of its retirees, surviving spouses and eligible dependents effective **March 31, 2003**. This means that Bethlehem will no longer pay any claim for retiree medical services incurred after March 31, 2003. In addition, it will not make any retiree life insurance payment for any deaths occurring after March 31, 2003.

Retirees and their eligible dependents affected by the March 31 termination must submit their claims to the appropriate insurance administrator for payment on or before **May 31, 2003**. Bethlehem will not pay any claims submitted after May 31, 2003.

If the proposed sale of Bethlehem's assets to ISG is consummated, to the extent there remains a cash surplus after the payment of Bethlehem's allowed secured, administrative and priority claims, Bethlehem will reimburse as administrative claims all affected retirees and their eligible dependents who have elected and paid for COBRA coverage commencing April 1, 2003, for their COBRA premiums covering the two-week period thereafter if such surplus is adequate. If such surplus is not adequate to cover such reimbursement claims in full, then the affected retirees and their eligible dependents will be reimbursed pro rata.

Following the termination of Bethlehem's retiree group health plans effective March 31, 2003, we have committed to making COBRA coverage available from April 1, 2003 through September 30, 2003, although COBRA coverage may terminate earlier than September 30 pursuant to agreements Bethlehem has with ISG and the USWA.

Highmark Services Company will be mailing you a COBRA notice shortly that will provide information on COBRA coverage and will include your specific COBRA premium rate. Be assured that there will be no lapse in medical coverage if you timely elect COBRA. However, you should bear in mind that COBRA may not be available after September 30, 2003 and, in fact, could possibly terminate sooner than September 30, 2003 pursuant to agreements Bethlehem has with ISG and the USWA. Additionally, COBRA does not include continuation of life insurance.

You will be responsible for the total cost of coverage if you elect COBRA. However, under recently passed federal legislation that will apply when the PBGC takes over the Pension Plan, retirees who are age 55 or older and not eligible for Medicare and their eligible dependents may be able to receive a tax credit of 65 percent of the premiums paid for qualified health care

replacement programs such as COBRA. You should ask your tax advisor how the tax credit will apply to you.

Although COBRA may not offer a permanent solution to obtaining replacement coverage, the availability of COBRA will provide you with additional time to evaluate your health care options and will ensure that you meet the continuity of coverage requirement for the tax credit.

You should educate yourself about other currently available insurance coverage options, particularly health care options such as Medicare supplement plans, Medicare + Choice HMOs, individual commercial insurance policies, coverage through state health care programs and Medicaid. In addition, included with this mailing is a set of questions and answers frequently asked about the termination of retiree health and life insurance coverage, as well as COBRA related information.

Since each person's needs are different, we cannot offer individual advice or make recommendations about what coverage you should select. Decisions will need to be made based on careful thought, investigation of alternatives and reliance on advice of trusted family members and competent professionals.

Bethlehem recognizes the significant and important contributions our many retirees have made during Bethlehem's long history. Since we entered bankruptcy on October 15, 2001, we have paid more than $300 million for the health and life insurance needs of about 91,000 retirees and their eligible dependents. Unfortunately, we are no longer able to pay these bills.

We find our decision to discontinue retiree health and life insurance coverage extremely difficult, but unavoidable, and sincerely regret that circumstances have led us to this situation.

Sincerely,

/s/R. S. Miller, Jr.

Q&A's – Termination of Retiree Benefits

1. **Why did Bethlehem terminate retiree medical and life insurance benefits now?**

   Bethlehem must resolve the legacy health care cost issue as part of its bankruptcy reorganization. Bethlehem is selling substantially all of its assets to ISG. ISG will not assume any of Bethlehem's existing retiree benefits obligations.

2. **Does the bankruptcy court's ruling to terminate retiree medical and life insurance benefits effective March 31, 2003 apply to all retiree groups?**

   The court's ruling to terminate retiree medical and life insurance benefits applies to essentially all of Bethlehem's retirees and their eligible dependents. The ruling, however, does not apply to retirees who were formerly represented by the United Mine Workers of America and who are covered by the Coal Industry Retiree Health Benefit Act of 1992, although Bethlehem is in the process of addressing the retiree benefits of such retirees.

3. **How does this ruling affect payment of retiree medical and life insurance claims?**

   Bethlehem has advised all medical and life insurance providers of the following:

   - **Bethlehem will maintain retiree medical benefits for the retirees covered by the ruling through March 31, 2003. Effective April 1, 2003 retiree medical benefits will terminate. Bethlehem will not pay any claims for retiree medical services incurred after March 31, 2003. However, a claim for retiree medical services incurred after March 31 at an approved inpatient facility that is an uninterrupted continuation of inpatient care at the facility that began prior to April 1 will be paid by Bethlehem, if medically necessary, but only for services through April 10, 2003.**

   - **Bethlehem will collect premiums for coverage applicable to the affected retirees through March 31, 2003. (Retirees who may have paid medical premiums in advance for periods after March 31 will receive a refund check in the mail.)**

   - **Bethlehem will pay life insurance benefits with respect to deaths of affected retirees that occur on or prior to March 31, 2003. Life insurance benefits will not be paid with respect to any such retiree who dies after March 31, 2003.**

   - **Any claims payable by Bethlehem must be submitted to the appropriate insurance carrier for payment on or before May 31, 2003. Claims submitted after May 31, 2003 will not be paid. Please notify your medical provider(s) of the importance of promptly filing your claims.**

4. **I am in an HMO/PPO. Am I affected? Will my health care benefits continue?**

   Following the termination of retiree medical benefits effective March 31, 2003, any retiree or surviving spouse who is enrolled in an HMO/PPO will be eligible to elect COBRA coverage and will also be eligible to enroll in an individual conversion health plan, if such an option is available under the applicable group health plan. If the insurance carrier for your particular medical plan did not agree to offer COBRA, you and your eligible dependents, will be offered COBRA under a traditional Blue Cross Blue Shield program. The COBRA plan for which you

are eligible will be identified on the COBRA premium statement that will be attached to the COBRA notice you will be receiving in the mail.

Medicare+Choice HMOs are not able to offer COBRA as an option. Individual Medicare+Choice direct pay options are available from each of these health plans; however, the benefit levels will differ from your current Bethlehem Steel Medicare+Choice HMO coverage. If you or any of your covered dependents are currently enrolled in a Medicare+Choice HMO, the COBRA notice will offer you the option to elect a traditional Blue Cross Blue Shield program. Please note, however, that if you currently cover non-Medicare eligible members of your family under another (non-Medicare) type of Bethlehem-sponsored group health plan, they may be eligible for COBRA coverage under that plan. Call the Highmark Services Company at the number provided on your COBRA notice for further details.

5. **How does this affect my Medicare?**

   For retirees who are enrolled in Medicare Parts A and B, Medicare continues to pay as primary insurer for covered medical expenses. If you enroll in other available medical coverage (for example, COBRA coverage, spouse coverage, private individual or group medical coverage), any covered medical expenses not paid by Medicare will be sent to your secondary insurance carrier. Any amount not paid by either Medicare or the secondary insurance carrier will be your sole responsibility.

6. **Can I continue to use Express Scripts?**

   You can continue to use Express Scripts through March 31, 2003. If you elect COBRA coverage, Express Scripts will continue to be available to you during your COBRA coverage period.

7. **I'm a BPHP retiree. Am I affected too?**

   The termination of retiree benefits includes BPHP retirees.

8. **Are there any other Medicare Supplement plans I can buy on the market?**

   There are numerous Medicare Supplement plans available on the market. Questions and answers regarding Medicare Supplement plans are available at AARP's website, www.aarphealthcare.com, or by calling them at 1-800-392-7537, Monday through Fridays from 8 a.m. to 5 p.m. Eastern Standard Time.

9. **What is COBRA continuation health coverage?**

   The Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions were passed by Congress in 1986. This federal law provides for the continuation of group health plan coverage that otherwise might be terminated.

10. **What does COBRA do?**

    COBRA provides certain former employees, retirees, spouses, former spouses, and dependent children with the right to temporary continuation of health coverage at group rates. COBRA coverage, however, is only available when coverage is lost due to certain specific events.

11. Will COBRA continuation health coverage be available to retirees and their dependents upon termination of retiree medical benefits?

Yes. Shortly after March 31, 2003, Bethlehem's COBRA Administrator, Highmark Services Company, will mail a COBRA notice to all retirees who were eligible to receive retiree medical benefits. The COBRA notice will offer you the opportunity to continue your current insurance coverage, at your sole expense, by electing COBRA coverage.

12. What process must individuals follow to elect COBRA continuation coverage?

As stated above, Bethlehem's COBRA Administrator, Highmark Services Company, will mail COBRA notices to all affected retirees and surviving spouses. You will have 60 days from the date of the notice to decide whether to elect COBRA coverage. In addition, you will have 45 days after electing COBRA coverage to pay the initial premium. The initial premium payment generally must cover the period of coverage from the date of the loss of coverage (April 1, 2003) through the coverage period that includes the payment date. Premiums for subsequent periods of coverage are generally due within 30 days of the first day of a coverage period or a later date stated in the applicable plan. A premium payment is considered made on the date it is sent to the plan.

13. Will there be a lapse in coverage from the time health care benefits are terminated until we get COBRA information?

The COBRA notice provides 60 days from the date of the notice to respond. Anyone who elects COBRA coverage within that 60-day period and who pays the required initial monthly premium(s) to the COBRA Administrator within the 45 days thereafter will be enrolled in COBRA coverage retroactive to the date of medical coverage loss. For example, if you elect COBRA coverage and pay the required monthly premium(s) to the COBRA Administrator prior to the expiration of the 60-day election period, you will be enrolled in COBRA coverage retroactive to April 1, 2003. You should recognize, however, that while your enrollment in COBRA coverage will be effective retroactive to April 1 if you make a timely election, your health care providers may require you to pay the full cost of the medical services they provide prior to the time you elect COBRA coverage and pay the required premium(s). Of course, once your election becomes effective, you can obtain reimbursement for the cost of these services by submitting the bills to your COBRA insurance provider.

14. How long can I get COBRA coverage?

The maximum COBRA coverage periods for qualified retirees and surviving spouses (and their eligible dependents) who lose health care coverage because of bankruptcy are described in the COBRA brochure that will be included with your COBRA notice. These maximum coverage periods can end sooner if certain events occur, including Bethlehem's termination of all of its group health plans. (Active employee medical plans are not being terminated at this time.) While Bethlehem currently expects to terminate all of its group health plans in the near future, it has arranged to make COBRA coverage available to all retiree groups from April 1, 2003 through September 30, 2003, although COBRA coverage may terminate earlier than September 30 pursuant to agreements Bethlehem has with ISG and the USWA. The COBRA coverage offered will be the same coverage a retiree or surviving spouse had in effect on March 31, 2003. If the plan in which a retiree, surviving spouse or eligible dependent was enrolled on March 31 is not available, COBRA coverage will be offered under a Blue Cross Blue Shield plan. While

COBRA coverage would presumably be the same coverage as you have today, it may be too expensive and, as indicated above, it may cease to be available by no later than September 30, 2003.

15. What does COBRA continuation coverage cost?

Under COBRA, you will pay the entire premium amount. That means you will pay the portion of the premium that you paid as a retiree plus the amount of the contribution previously paid by Bethlehem. In addition, there is a 2 percent administrative fee. While COBRA rates may seem high, you will be paying group health plan rates, which are usually lower than individual rates.

The COBRA notification you receive in the mail will provide the monthly group health COBRA premium for the current medical plan you are enrolled in.

COBRA participants remain subject to the rules of their group health plans and therefore must continue to satisfy all costs related to co-payments and deductibles and are subject to catastrophic and other benefit limits in accordance with plan provisions.

16. What if I already obtained other health insurance and after receiving my COBRA information I now want to elect COBRA continuation coverage?

If you have already selected another health care plan under which you are paying the health insurance carrier directly, and you are considering electing COBRA, you should first contact your current insurance carrier to verify that no penalties will be assessed against you if you cancel that coverage. If you do decide to elect COBRA within the 60-day election period, you will be billed retroactively to the date you lost Bethlehem coverage (April 1, 2003) and may have to pay premiums for months already paid for under the other medical benefit plan.

If you do not wish to elect COBRA, you should disregard the COBRA notice that will be mailed to you.

17. Can I continue to use my current ID card until I get COBRA?

No. Your current ID card is for coverage that terminated March 31, 2003. You will receive a COBRA ID card. As stated above, there will be no lapse in coverage if you timely elect COBRA. However, claims for expenses incurred after March 31 that are submitted using your current ID card will be rejected and will have to be re-processed under your COBRA ID card.

18. Will my disabled dependents be eligible for COBRA?

Any eligible dependent that was in coverage under Bethlehem's medical coverage is eligible for COBRA coverage.

19. What happens if a medical claim is denied in error after May 31?

As indicated above, claims payable by Bethlehem are limited to services rendered prior to April 1, 2003, and must be submitted to the appropriate insurance carrier for payment on or prior to May 31, 2003. If you believe that payment of a claim has been denied due to an error on the insurance carrier's part, you can appeal the denial utilizing the applicable insurance carrier's claim appeal procedures.

20. Can I use the new Health Insurance Tax Credit to offset some of the COBRA premiums?

The Trade Act of 2002, passed in August 2002, provides for a tax credit for eligible individuals who pay premiums for qualified health insurance. Regulations have not been issued yet so there are still a number of unanswered questions about this tax credit. However, a Bethlehem retiree or surviving spouse should be eligible for this tax credit if:

- **Bethlehem ceased providing retiree health insurance or pays less than 50% of the cost of such insurance,**
- **The PBGC is paying the pension or surviving spouse benefit,**
- **The retiree or surviving spouse is at least 55 years of age,**
- **The retiree or surviving spouse is not covered by Medicare, Medicaid or by coverage for which another employer pays at least 50% of the cost,**
- **The retiree or surviving spouse is not in prison, and**
- **The retiree or surviving spouse is paying more than 50% of the cost of "qualified health insurance".**

"Qualified health insurance" includes

- **COBRA coverage**
- **Coverage available from your spouse's employer for which you pay more than 50% of the cost**
- **Individual health insurance coverage, provided such coverage is in effect during the 30-day period prior to the separation from employment that qualifies an employee as an eligible individual**
- **Coverage through an arrangement between a state and**
  - **an employer,**
  - **an insurance company,**
  - **an administrator, or**
  - **a group health plan**

Currently such an arrangement with a state does not exist. The Trade Act sets forth a number of requirements that such an arrangement would have to satisfy. Bethlehem is exploring how such an arrangement could be established and continue to exist even if Bethlehem ceased to exist. It appears that such an arrangement may be the most attractive for retirees since there could be more flexibility in plan design, choice and cost.

The tax credit is equal to 65% of the premium paid for "qualified health insurance". The premium may include the cost for the individual's spouse or dependents provided they do not have other coverage. Starting in August, the tax credits may be paid in advance to the insurance company or plan administrator on your behalf if administratively feasible. If advance tax credits are not administratively feasible, you will have to pay the premiums and file for the tax credit when you file your federal income tax return.

As with all tax matters, Bethlehem urges you to consult with your own tax advisor concerning the Trade Act tax credit.

21. I currently have medical claims pending. Will they still be processed by our insurance carrier and for how long?

All insurance carriers have been advised to process all retiree medical claims for services rendered prior to April 1, 2003 by May 31, 2003.

22. Will COBRA premiums change during the year?

COBRA premiums may be increased if the costs to the plan increase but generally the costs are fixed in advance of each 12-month premium cycle. The plan must allow you to pay premiums on a monthly basis if you ask to do so, and the plan may allow you to make payments at other intervals (weekly or quarterly).

23. Is the elimination of Bethlehem-provided life insurance a COBRA event?

No.

24. Will Metropolitan Life Insurance Company issue a life insurance conversion?

All participants in the Basic Life Insurance program have a conversion privilege when group insurance terminates. Conversion policies are very expensive because they are not underwritten, e.g., you do not need to provide evidence of good health. You will have 31 days from the termination of your Bethlehem Steel provided coverage to obtain a conversion policy if you desire to do so. Under separate cover you will receive a conversion notice that provides information about the amount of coverage you can convert and designated MetLife representatives who you can call to obtain a conversion policy. Note, that any death claims incurred during the 31 day period will be the responsibility of the group policy and will be honored by MetLife.

MetLife is working to provide an alternative to conversion and will communicate this offer to Basic Life participants under separate cover. MetLife may allow your term insurance coverage to continue, after submission of proof of good health, through pension deductions. If this alternative is adopted, information about the offer will be provided to you under separate cover.

25. What happens to my Optional Life Insurance?

Currently about 1,500 retirees participate in the Optional Life Insurance program that Bethlehem Steel supports administratively through pension deductions. Because Optional Life Insurance is an employee/retiree pay all benefit, retirees who are enrolled in Optional Life Insurance will remain in coverage as long as the monthly premiums are paid. Metropolitan Life Insurance Company will provide information directly to retirees enrolled in Optional Life Insurance information regarding the handling of premium payments.

3/24/03