

2007

FLEXIBLE BENEFITS NEWS

MERCK flex benefits

2007 ANNUAL ENROLLMENT PERIOD
NOVEMBER 3–NOVEMBER 22, 2006

Your benefits are an important part of your total compensation at Merck, and Merck remains proud to offer you a benefits package that is comprehensive, competitive and high in quality.

Through the *Merck Flexible Benefits Program* you have access to a range of benefits choices that are designed to support your individual needs and goals. From a variety of health care, life insurance and long-term disability options to money-saving pre-tax health care and dependent care accounts, and financial planning benefits options, the *Flexible Benefits Program* lets you select the mix that's right for you.

To find out what's new or different for 2007, review this Flex 2007 Newsletter. Then, go online to Fidelity NetBenefits® at <http://netbenefits.fidelity.com> to view your current benefits, 2007 options, covered dependents and 2007 default coverages. Please review this information carefully, compare your options using the available tools and resources, and enroll online or by calling the Merck Benefits Service Center at 800-66-MERCK before the November 22, 2006 deadline.

▶ If you (and/or your dependents) have Medicare or will become eligible for Medicare in the next 12 months, a federal law gives you more choices about your prescription drug coverage. Please see the enclosed *Medicare Part D Notice of Creditable Coverage* for more information.



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Keeping You Informed about Merck's Benefits

Merck regularly reviews our employee benefits programs to make sure they remain competitive and aligned

with changing market trends, employee needs and the Company's business drivers. Our goal is to offer employees competitive, quality benefits while managing related costs.

We're in This Together

Merck does its part by continually reviewing its benefits plans and striving to provide you with meaningful choices that meet the diverse needs of our workforce while managing vendor costs effectively.

However, our benefit efforts and decisions are only part of the story; you also have an important role to play—and choices to make too, such as:

- Choosing options that best fit your needs;
- Embracing a healthy lifestyle; and
- Making the most of the health care resources available to you.

We believe the more you know about your benefits, the more you will appreciate their value, and the better positioned you will be to make the best choices for yourself and your family. So go ahead and review the information in this guide carefully. This will give you the best perspective on the changes—why they are being made, how they affect you and what you may need to do as a result of them.

Then, go online to Fidelity NetBenefits at <http://netbenefits.fidelity.com> to view your current benefits, 2007 options, covered dependents and default coverages, and to enroll. You may also enroll by calling the Merck Benefits Service Center at 800-66-MERCK.

► DID YOU KNOW?

According to Mercer Human Resource Consulting, U.S. health costs increased approximately 10% in 2005, while inflation for other goods and services rose 3.5%.

According to 2006 benchmarking data from the *Annual Hewitt Associates U.S. Benefits Index*, Merck's overall benefit plans are very competitive when ranked among comparator pharmaceutical companies.

The same survey revealed that Merck's active and retiree health care contributions are low relative to the comparator companies.

► MERCK'S HEALTH CARE GUIDING PRINCIPLES

Merck's Health Care Guiding Principles are to offer health care options that are competitive in quality, choice and cost, and provide the education and tools necessary to help effectively purchase health care coverage and services.

While our benefit offerings and cost-sharing goals will continue to be shaped by market trends, business drivers, medical cost inflation, actual claims experience and competitiveness, Merck remains committed to responding to market trends and adopting competitive practices in the context of the Company's Health Care Guiding Principles.

Your 2007 Benefit Changes

New Coverage Tiers for Medical, Dental and Vision Care Plans

Effective January 1, 2007, coverage for you and your eligible dependents under the Merck Medical, Dental and Vision Care Plans will be converted from the current family status option (which was based on the number of dependents you chose to cover: *Employee Only*, *Employee + 1*; and *Employee + 2 or more dependents*) to the following new Coverage Tiers:

- *Employee Only*;
- *Employee & Spouse/Same-Sex Domestic Partner*;
- *Employee & Child(ren)*; and
- *Employee & Spouse/Same-Sex Domestic Partner Plus Child(ren)*.

This new structure allows employee contributions to more accurately reflect true health care costs, supports a diverse workforce, and is in line with the current competitive practice of charging higher employee contributions to cover dependents by type for medical and dental plans. For example, the new employee medical contribution for *Employee & Spouse/Same-Sex Domestic Partner* will be higher than the *Employee & Child(ren)* Coverage Tier, because on average, health care for adults costs more than health care for a child or children.

See the chart below for the new price structures applied to each non-HMO Merck Medical Plan Option. Dental contributions under the new structure are listed on page 7, and the new schedule for the Vision Care Plan appears on page 4.

No Action Is Required on Your Part

Your current family status option will automatically convert to the new Coverage Tiers. Keep in mind, however, that it is your responsibility to notify the Merck Benefits Service Center of any change in your covered dependents' eligibility status. To view your 2007 default Coverage Tier, please refer to your *Enrollment Worksheet*, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com>.

2007 Employee Contributions for Medical Plan Options

For 2007, employee contributions will increase across most Medical Plan options. For information about the specific 2007 benefit options available to you (including any available HMOs)—and the associated monthly employee contribution costs—please refer to your *Enrollment Worksheet*, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or call the Merck Benefits Service Center at 800-66-MERCK.

The following chart summarizes the 2007 monthly costs for each of the non-HMO Medical Plan options.

2007 Monthly Employee Contributions for Non-HMO Medical Options

| Medical Plan Option | Employee Only | | Employee + Spouse/Same-Sex Domestic Partner | | Employee + Child(ren) | | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) | |
|----------------------------|---------------|-----------|---|-----------|-----------------------|-----------|--|-----------|
| | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time |
| Merck PPO | \$22 | \$32 | \$55 | \$80 | \$44 | \$64 | \$77 | \$112 |
| Merck 80/20 | \$20 | \$30 | \$50 | \$75 | \$40 | \$60 | \$70 | \$105 |
| Merck 80/20 (Out-of-Area)* | \$20 | \$30 | \$50 | \$75 | \$40 | \$60 | \$70 | \$105 |

*Only available to those living outside of the Aetna Choice POS II service area.



▶ **HEALTHY REMINDER**

CERTAIN PREVENTIVE SERVICES COVERED UNDER ALL NON-HMO OPTIONS

The following preventive services are covered under all of the non-HMO 2007 Medical Plan options—whether you are in-network or out-of-network, for your copay or coinsurance amount—and are not subject to deductible (but are subject to Reasonable & Customary limits). Please note that for some preventive services, age and other restrictions apply:

- bone mass density testing;
- cholesterol testing;
- fecal occult blood testing;
- sigmoidoscopy;
- colonoscopy; and
- mammography.

Coverage for routine preventive lab/x-ray is determined by Aetna in accordance with the recommendations established by the U.S. Preventive Services Task Force and guidelines established by the American Medical Association (AMA) and provided they are designated by your physician as preventive. Contact Aetna Member Services at 800-541-6711 or visit www.aetna.com for information about specific age and gender guidelines for covered preventive services.

For more information about coverage for preventive services, please refer to Medical Plan section of the *Merck Benefits Book*.*

▶ **ENROLLMENT REMINDER**

WHEN LIFE CHANGES...

The Flex options you choose or default to during the 2007 Annual Enrollment generally remain in effect for a full calendar year, provided you meet all actively-at-work and proof-of-good health requirements. You may be able to change your coverage during the year if you experience certain life events—but, even then you can only make changes that are consistent with the event itself, and those changes must be made within the specified time frame required by Merck (generally 30 days).

WHAT'S A LIFE EVENT?

You are permitted to make certain Plan changes during the year if:

- You give birth to or adopt a child;
- You get married or divorced (or begin or end a same-sex domestic partnership);
- Your covered child reaches the maximum coverage age;
- One of your dependents dies;
- Your spouse's/same-sex domestic partner's employment status changes; or
- You relocate out of your managed care service area.

A SPECIAL NOTE FOR PARENTS OF CHILDREN APPROACHING THEIR 19TH BIRTHDAY

Children are covered until age 19 (or age 25, if they are full-time students). Before your child reaches age 19, you will receive a COBRA notice. If your child will continue to be a full-time student, you are responsible for calling the Merck Benefits Service Center to declare your child's status as a full-time student. If you fail to call within 30 days of your child's 19th birthday, your child's coverage will be terminated.

If your child will not continue as a full-time student, and you are interested in continued coverage for your child under COBRA, you must notify the Merck Benefits Service Center within 60 days of your child's 19th birthday. Failure to request COBRA benefits within the specified time frame as well as failure to make the required payment by the deadline will result in termination of coverage for your child without the option of COBRA coverage.

CIGNA NJ HMO and Aetna CA HMO No Longer Offered

Effective January 1, 2007, the CIGNA NJ HMO and the Aetna CA HMO Medical Plan will no longer be offered through Merck's Flexible Benefits Program. The decision to eliminate these HMOs is due to low employee participation rates in each option. If you are enrolled in either one of these options for 2006, your coverage will default to the Merck 80/20 option (if your home ZIP code is within the Aetna Choice POS II network coverage area) or Merck 80/20 Out-of-Area option for 2007, unless you make a new election during Annual Enrollment. To view your 2007 default coverages, please refer to your *Enrollment Worksheet*, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com>.

If You Are Currently Enrolled in CIGNA NJ HMO or Aetna CA HMO

Your 2007 Coverage will Default to the Merck 80/20 if your home ZIP code is within the Aetna Choice POS II network coverage area; otherwise, Merck 80/20 Out-of-Area option.

Copay Changes across HMOs

In an effort to make the coverage within our HMO offerings more consistent, copays for office visits and emergency room visits will increase for most HMOs in 2007, and a per-inpatient hospital copay will apply to all HMOs (except the Health Plan Hawaii Plus (HPPH) HMO, which is subject to mandatory state regulations) as described below.

Effective January 1, 2007:

- Office Visits across all HMOs will be \$15 (\$14 for HPPH HMO);
- Emergency Room Copays will range from \$50 to \$100. Health Plan Hawaii Plus HMO Emergency Room copay is \$25 within the state of Hawaii with a 20% copay elsewhere; and
- A per-inpatient hospital copay will be implemented for all HMOs ranging from \$200–\$250, depending on the HMO.

For details about all of the 2007 Medical Plan options available to you—including any HMO options—be sure to use Fidelity's *Plan Comparison Tool*, available online through Fidelity's NetBenefitsSM at <http://netbenefits.fidelity.com>. Please contact your HMO carrier directly for additional information about HMO coverage details.

Vision Care Plan Updates

Consistent with the new dependent Coverage Tiers, vision care contributions for 2007 will differ from last year. The new Vision Care Plan Coverage Tiers and pricing for 2007 are listed below.

| Vision Care Plan | | | | |
|-------------------|---------------|---|-----------------------|--|
| | Employee Only | Employee + Spouse/Same-Sex Domestic Partner | Employee + Child(ren) | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) |
| VSP Participation | \$7.03 | \$17.56 | \$14.05 | \$24.59 |

Keep in mind that if you wish to participate in the Vision Care Plan, you need to actively enroll or re-enroll each year during the Annual Enrollment period. For more information about Vision Service Provider (VSP) call 800-877-7195. As always, please refer to the Vision Care Plan section of the *Merck Benefits Book* for more information.*

ENROLLMENT REMINDER—ADDITIONAL VISION CARE CONSIDERATIONS

Before electing coverage under the Merck Vision Care Plan, consider this:

- You can fund your vision expenses with tax-free dollars by making contributions to a health care account. (For information about eligible expenses, see the Health Care Account section of the current *Merck Benefits Book** or contact Aetna Member Services.) Remember, if you don't use all of the money you deposit into your health care account by the end of the year, you lose it.
- In addition to the Merck Vision Care Plan, varying levels of vision care benefits may be available through the medical options under the Merck Medical Plan. For example, Aetna offers discounts through their Vision One Program to all Aetna members.

New Dependent of Record Criteria Established for Retiree Health Care

Effective April 1, 2007, the extension of Retiree Choice health care (medical and dental) benefits to dependents of Merck retirees will be limited to those dependents that have been previously registered through the Merck Benefits Service Center as dependents.

This means that retirees will no longer be able to add new dependents to their Retiree Choice coverage in the future, unless those individuals were previously registered as eligible dependents. For example, if, in the future, a retiree gets married/establishes a same-sex domestic partnership or has a new child, those new dependents would not be eligible for coverage.

If, however, a retiree listed their existing spouse or same-sex domestic partner or child as dependents, but simply chose not to cover them upon retirement (for example, perhaps the spouse/same-sex domestic partner is working and does not need Merck coverage; or a 19-year-old student drops out of school, therefore becoming ineligible for coverage under the Merck Plan, then returns to full-time student status before the age of 25), they could add them to coverage in the future—at any time, providing they remain “eligible” as defined by the Plan.

Future retirees have up to 30 days from their retirement date (or March 31, 2007, whichever is later) to add any existing dependents that they would like to cover under the Retiree Choice Program upon retirement—or at a later date—providing the dependent remains eligible as defined by the Plan. Please see the *Merck Benefits Book** for definitions and detailed information about Eligible Dependents under the Merck Medical and Dental Plans.

Current retirees have until March 31, 2007, to add any existing dependents who they wish to cover now or in the future. Retirees need to call the Merck Benefits Service Center at 800-66-MERCK (800-666-3725) to register any/all eligible dependents no later than March 31, 2007.

COVERED DEPENDENTS VS. DEPENDENTS OF RECORD

For purposes of the Retiree Choice Program, a *Dependent of Record* is an eligible person that you register—at the time of your retirement from Merck—as a current or future potential Covered Dependent.

In order to register the person as a *Dependent of Record*, the person must meet the established criteria for an Eligible Dependent, as defined under the Merck Medical and Dental Plans.*

► THINKING ABOUT RETIREMENT?

Under the current rules for covering a same-sex domestic partner in retirement, your domestic partner must be a covered dependent under Merck’s Medical Plan while you are an active employee, during the period immediately prior to your retirement date. Therefore, if you are considering retirement:

Before April 1, 2007

If you are considering retiring before April 1, 2007, and you wish to cover your existing same-sex domestic partner under your Merck Retiree Choice Benefits program, you must elect to cover them as your dependent under the Merck Medical Plan during this Annual Enrollment period.

After April 1, 2007

Under the new rules established for *dependent of record* in Retirement, however, new retirees (those retiring 4/1/07 or later) will have 30 days to register their partner as a dependent of record.

2007 Prescription Drug Copays

All of the 2007 Flex medical options (except the No Coverage option) offer the same prescription drug coverage, through Medco, Merck's Pharmacy Benefit Manager. Effective January 1, 2007, the following new prescription drug copayments will apply:

| 2007 Prescription Drug Copayments for All Medical Options (except the No Coverage option) | | |
|---|---------------------------|--------------------------------------|
| | Through Medco By Mail™ | At Medco Participating Pharmacies†** |
| | For Up to a 90-Day Supply | For Up to a 30-Day Supply |
| Merck-brand drugs | \$0 | \$0 |
| Generic drugs | \$20 | \$10 |
| Non-Merck brand drugs | \$40 | \$20 |

†Certain prescription medications are available only through Medco By Mail—for example, oral contraceptives and male erectile dysfunction medications.

**Prescriptions filled at non-participating pharmacies will be reimbursed based on the network-negotiated price of the medication, minus the applicable copayment. Employees are responsible for any drug costs in excess of network-negotiated fees.

Important Reminder Regarding Your 2006 Medco Prescription ID Cards

Last year, Medco (Merck's Pharmacy Benefit Manager) issued new Medco ID cards to Merck participants. The new ID cards feature assigned Medco ID numbers—

in place of Social Security numbers. Therefore, when ordering a prescription from a local retailer, be sure to present your new Medco ID card. If you need a replacement Medco prescription ID card, please contact Medco at 800-RxMerck (800-796-3725).

▶ HEALTHY REMINDER

REGISTER FOR MEDCO ONLINE—AND MAXIMIZE YOUR MAIL-ORDER Rx SAVINGS OPPORTUNITIES!

Have you ever considered filling your ongoing prescriptions through Medco By Mail, but could not find the time to fill out the paperwork? If so, we have good news! Medco's online prescription ordering center has new features designed to make this process even easier, so you can save money—and even more time—moving your retail prescriptions to Medco By Mail—online.

NOT REGISTERED?

Once you are registered online with Medco, you'll gain easy access to many personalized benefits. Register online at www.medco.com, and start saving!

ABOUT MEDCO BY MAIL

Part of Merck's Managed Prescription Drug Program, Medco By Mail is a convenient and cost-effective option that allows you to fill and refill online, or by fax or phone, prescriptions for medication needed on an ongoing basis. You pay just one mail-order copayment for each prescription or refill. **Since you get a larger supply of medication when you fill a prescription through Medco By Mail than when you go to a retail network pharmacy, you and your covered dependents pay less for medication.** And, best of all, standard shipping is free.

MAKE THE MOVE...

When you fill a prescription at a participating retail pharmacy, Medco will prompt you to refill your next prescription for that medication online—for a 90-day supply. To find out more, visit the Medco online website at www.medco.com or call 800-Rx-MERCK.

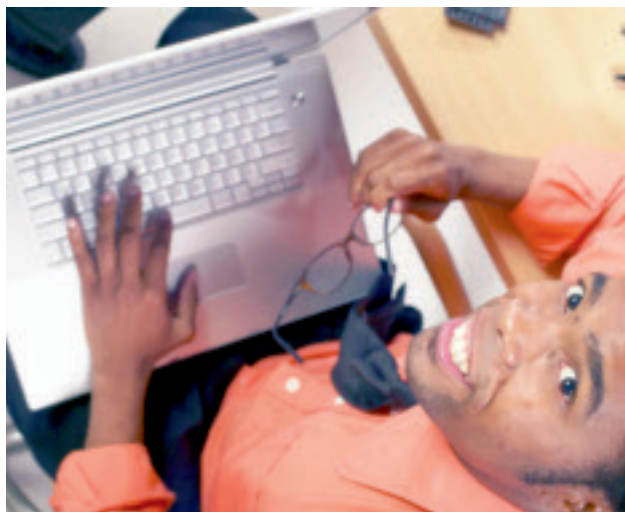
2007 Dental Contributions

For 2007, employee contributions will increase across all Dental Plan options. For information about the specific 2007 benefit options available to you (including any available DPOs)—and the associated monthly employee contribution costs—please refer

to your *Enrollment Worksheet*, available during Annual Enrollment through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or call the Merck Benefits Service Center at 800-66-MERCK.

2007 Monthly Employee Contributions for Dental Options

| Dental Plan Option | Employee Only | | Employee + Spouse/Same-Sex Domestic Partner | | Employee + Child(ren) | | Employee + Spouse/Same-Sex Domestic Partner + Child(ren) | |
|--------------------|---------------|-----------|---|-----------|-----------------------|-----------|--|-----------|
| | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time | Full-Time | Part-Time |
| Comprehensive | \$7.50 | \$15.50 | \$18.75 | \$38.75 | \$15.00 | \$31.00 | \$26.25 | \$54.25 |
| Preventive | \$4.00 | \$12.00 | \$10.00 | \$30.00 | \$ 8.00 | \$24.00 | \$14.00 | \$42.00 |
| Aetna DMO® | \$6.00 | \$14.00 | \$15.00 | \$35.00 | \$12.00 | \$28.00 | \$21.00 | \$49.00 |
| HealthPlex DPO® | \$6.00 | \$14.00 | \$15.00 | \$35.00 | \$12.00 | \$28.00 | \$21.00 | \$49.00 |



Flexible Spending Accounts: Health Care and Dependent Care

Through the Flexible Benefits Program, the Company offers the Health Care and Dependent Care Flexible Spending Accounts. There are no changes to the Health Care or Dependent Care Accounts for you to consider for 2007, however, you should think about enrolling in these money-savings accounts each year during Annual Enrollment.

Participation in either account can save you money, because deductions are made before federal and Social Security taxes, and, depending where you live, state and local taxes are withheld from your paycheck.

If you wish to participate in the health care or dependent care accounts for 2007, you must actively enroll through Fidelity during Annual Enrollment—as your 2006 elections will not carry over into 2007. As always, be sure to consult *IRS Publications 502* and *503*, available through the IRS website at <http://www.irs.gov>, for complete government rules and restrictions regarding the health care and dependent care accounts.

► ESTIMATING UPCOMING EXPENSES

Did you know that Merck employees enrolled in any Aetna Medical Plan option have access to Aetna Navigator, which has a built-in **Flexible Spending Account Calculator**? Log in to Aetna Navigator today at <https://www.aetna.com/fsaSSL/FSAAAdvisor> and get help estimating your expenses!

► ENROLLMENT REMINDER—FLEXIBLE SPENDING ACCOUNTS

• You Must Actively Enroll Each Year

If you wish to participate in the health care or dependent care accounts for 2007, you must actively enroll through Fidelity during Annual Enrollment—your 2006 elections will not carry over into 2007.

• Expenses Must Be Incurred within the Calendar Year in Which You Elect to Participate

If you elect to participate in either account, keep in mind that your expenses must be incurred within the calendar year that you choose to participate—and generally must be incurred while you are a participant in the account.

• Certain Non-Prescription Drugs Qualify for Reimbursement through Health Care Accounts

The cost of many non-prescription drugs used for medical care—to ease or treat illness—qualify for reimbursement from the health care account. Drugs used for health maintenance (such as vitamins and dietary supplements) as well as toiletries and cosmetics are not eligible for reimbursement.

• Age Limits Apply

If you elect to participate in either account, keep in mind that age limits apply when it comes to your children. For example, in order for an expense to qualify under the Dependent Care account, your qualifying child who is your dependent must be under age 13 when the care is provided. For full details, consult *IRS Publications 502* and *503*, available through the IRS website at <http://www.irs.gov>.

• Streamlined Submission Available for Aetna Medical and Dental Claims

Streamlined Submission, the process where your medical and/or dental expenses processed through Aetna are electronically submitted to your existing health care account, is available for all Aetna options.

Please note that you must actively elect *Streamlined Submission* for your health care account each year if you want to participate. To participate in 2007, you can either go online through Aetna Navigator and enroll, or complete a *Health Care Account Streamlined Submission Participation Form* (available online through NetBenefits or by calling the Merck Benefits Service Center at 800-66-MERCK) and submitting directly to Aetna.

• Electronic Funds Transfer (EFT) Available for Health Care and/or Dependent Care Reimbursements Through Aetna

Electronic payments, for either/both accounts are available. You may enroll for EFT online through Aetna Navigator (See *Aetna Tools & Resources*) or by completing an Aetna EFT form (available online through NetBenefits or by calling the Merck Benefits Service Center at 800-66-MERCK) and submitting directly to Aetna.

Changes to Life Insurance and AD&D Coverage Options

Effective January 1, 2007, the *one-half-times pay* Life Insurance option for employees covered under the “new format” and the *one-half-times pay* and *no coverage* AD&D coverage options for all Flex-eligible employees will be eliminated from Merck’s benefits offerings.

No Action Required on Your Part

There is no action required from you; however, if you currently have *one-half-times pay* life insurance or *no coverage*, *one-half-times pay* or *one-times pay* AD&D coverage (“old format”), your coverage will default as described below. Please also keep in mind that Merck’s actively-at-work provisions require that you be actively-at-work in order for changes to take effect.

- **If you have new format:** If you are an employee that has coverage under the “new format,” and you are enrolled in the *one-half-times pay* Life Insurance option or the *no coverage* or *one-half-times pay* AD&D options, your coverage will automatically default to *one-times pay* for both your Life Insurance and AD&D options—at no cost to you.

- **If you have old format:** If you are an employee that has coverage under the “old format” for Life Insurance you are not affected by the elimination of the *one-half-times pay* options because you already have at least *two-times pay* for this coverage. However, if you have *no coverage*, *one-half-times pay* or *one-times pay* coverage for AD&D, you will be mapped to *two-times pay*—at no cost to you.

▶ ENROLLMENT REMINDER—OLD FORMAT
If you have “Old Format” Life Insurance and AD&D coverage, it will be indicated on your Fidelity NetBenefits *Enrollment Worksheet*.

The following chart summarizes the 2007 Life Insurance and AD&D options and default mapping. Please note that for union employees, base pay means base pay plus cost-of-living increases (COLA).

| 2007 Basic Life Insurance and AD&D Options and Default Mapping | | | | |
|--|-------------------------------|------------------------------------|---------------------|--------------------------|
| | Current Life Insurance Option | 2007 Default Life Insurance Option | Current AD&D Option | 2007 Default AD&D Option |
| “New Format” | — n/a — | — n/a — | no coverage | 1x base pay |
| | ½x base pay | 1x base pay | ½x base pay | 1x base pay |
| | 1x base pay | 1x base pay | 1x base pay | 1x base pay |
| | 2x base pay | 2x base pay | 2x base pay | 2x base pay |
| | 3x base pay | 3x base pay | 3x base pay | 3x base pay |
| | 4x base pay | 4x base pay | 4x base pay | 4x base pay |
| | 5x base pay | 5x base pay | 5x base pay | 5x base pay |
| | 6x base pay | 6x base pay | 6x base pay | 6x base pay |
| “Old Format” | — n/a — | — n/a — | no coverage | 2x base pay |
| | — n/a — | — n/a — | ½x base pay | 2x base pay |
| | — n/a — | — n/a — | 1x base pay | 2x base pay |
| | 2x base pay | 2x base pay | 2x base pay | 2x base pay |
| | 3x base pay | 3x base pay | 3x base pay | 3x base pay |
| | 4x base pay | 4x base pay | 4x base pay | 4x base pay |
| | 5x base pay | 5x base pay | 5x base pay | 5x base pay |
| | 6x base pay | 6x base pay | 6x base pay | 6x base pay |

Please note that as a result of the elimination of these options, there will be no “Flex Credits” (as previously applied to employees who chose *no coverage* for AD&D or *one-half times pay* for either AD&D or Life Insurance).

Introducing Non-Smoker Rates for Certain Life Insurance Coverages— Effective January 1, 2008

For information about your 2007 Life Insurance and AD&D default coverage options and corresponding employee contributions, please view your 2007 *Enrollment Worksheet*, available online through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or by calling the Merck Benefits Service Center at 800-66-MERCK.

As a health care company, Merck supports your commitment to your health. And, to reinforce Merck's commitment to encouraging a healthy lifestyle, the Company is adopting the competitive practice

of applying non-smoker rates to our life insurance coverages, with an effective date of January 1, 2008.

To qualify for non-smoker rates, you must be “smoke-free” for 12 full months. Therefore, we are telling you about non-smoker rates now—and will remind you again next fall—when it's time for the 2008 Annual Enrollment period. In the meantime, why not consider the tools and resources available to you through our health care vendors, like ValueOptions, to help you kick the habit?

► **HEALTHY REMINDER—TOOLS AND RESOURCES TO HELP YOU QUIT SMOKING**

Consider the following resources to help you quit smoking:

- Smoking Cessation literature available through ValueOptions (<https://www.achievesolutions.net/merck/>);
- Watch for upcoming Smoking Cessation Lunch & Learn Programs; and
- Visit the American Lung Association at the 2007 Merck Benefit Fairs. Watch your local Daily Announcements for times and locations.

► **BASE PAY DEFINED**

For Employee Term Life Insurance, AD&D, Survivor Income Insurance and Long-Term Disability Insurance, your base pay is defined as your annual base pay excluding commissions, overtime, bonuses and any special or supplemental pay.

For union employees, base pay means base pay plus cost-of-living increases (COLA).

Simplified Long-Term Disability Coverage Options

The number of Long-Term Disability (LTD) options offered under Merck's Flexible Benefits Program will be reduced from six to three for 2007, thereby simplifying your choices and achieving operational efficiencies for Merck.

Effective January 1, 2007, the LTD Plan will no longer offer the following options:

- 50% pre- and after-tax options (therefore, no LTD options will offer employees a "Flex Credit"); and
- 70% pre-tax option.

What if You Do Nothing?

If your current LTD coverage option is no longer available and you do nothing during this Annual Enrollment period, your LTD coverage will automatically map to the default coverage for your current option. Please also keep in mind that Merck's actively-at-work provisions require that you be actively-at-work in order for changes to take effect. A summary of the 2007 coverage options and mapping is provided in the following chart.

| 2007 Long-Term Disability Coverage Options and Mapping Chart | | | |
|--|--|---|-------------------|
| If You Are a Flex-Eligible Employee Currently Enrolled in | You Will Map to This Coverage on January 1, 2007 | Employee Contribution | Imputed Income |
| 50% pre-tax | 60% pre-tax | No employee contribution | No Imputed Income |
| 50% after-tax | 60% after-tax | No employee contribution | Imputed Income |
| 60% pre-tax | 60% pre-tax | No employee contribution | No Imputed Income |
| 60% after-tax | 60% after-tax | No employee contribution | Imputed Income |
| 70% pre-tax | 70% after-tax | Employee contribution based on age and base pay | Imputed Income |
| 70% after-tax | 70% after-tax | Employee contribution based on age and base pay | Imputed Income |

Please note that as a result of the elimination of the 50% options, there will be no "Flex Credit" for taking a lower LTD option (as was previously applied under both the 50% pre- and after-tax options). For information about your 2007 LTD options, default coverage and employee contributions, please view your 2007 *Enrollment Worksheet*, available online through Fidelity NetBenefits at <http://netbenefits.fidelity.com> or by calling the Merck Benefits Service Center at 800-66-MERCK.

▶ NEED-TO-KNOW INFORMATION ABOUT LTD BENEFITS & CONTRIBUTIONS

About LTD Contributions – Keep in mind that LTD employee contributions generally increase from year to year because the amount of your coverage increases as your base pay increases. Also, long-term disability rates are age-rated. That means even if the experience rates stay the same (as is the case this year), the rate you pay for coverage increases as you age—especially if you enter into a new "five-year age-bracket."

Pre-Tax or After-Tax? – When you elect an LTD option on an after-tax basis, you will not be taxed in the event that you are approved for LTD at a later date and begin to receive LTD benefits. In contrast, if you elect your LTD option on a pre-tax basis, you will not be charged with imputed income now but, should you be approved for LTD benefits in the future, your monthly payment would be reduced by income tax.

About Imputed Income – You should also note that when you enroll in or default to the 60% or 70% after-tax options, imputed income will apply. Imputed income is the amount the IRS requires to be added to your taxable pay for the "value" of Company-provided insurance. You pay taxes on that additional amount.

About Transition – If you are in the application process for LTD benefits and your first day absent for the qualifying illness occurs/or occurred in 2006, you will retain the LTD benefit level in effect on your first day absent for the qualifying illness. If your first day absent occurs on January 1, 2007, or later, the LTD benefits option you chose or default to under Flex will apply.

2007 Long-Term Care Insurance Contributions

As always, the daily and lifetime benefit maximums for inflation-protection long-term care options will increase by approximately 5%. That means that contributions for inflation-protection coverage will also increase.

Please refer to your NetBenefits *Enrollment Worksheet* through NetBenefits or call the Merck Benefits Service Center for your specific contribution information.

2007 Financial Planning Benefit Costs

For 2007, contributions for the Financial Planning Benefit options will increase. The Basic Option will be priced at \$185. In addition, the cost of face-to-face meetings (or telephone counseling) will be offered at an added cost of \$300 per hour (payable directly, by check or credit card, to Ernst & Young). Please note that the face-to-face meetings will continue to be available only at Ernst & Young's Lyndhurst, NJ office.

Employees who do not enroll in the financial planning benefit during Annual Enrollment may choose to participate in the "Just-in-Time" financial planning benefit instead. This offering—also available through

Ernst & Young—allows Flex-eligible employees to make a decision about purchasing and using financial planning benefits at any time. Available for purchase directly through Ernst & Young (by check or credit card), this alternative is similar to the benefit offered through Flex. This option is priced at \$300 for 2007 and provides access to the basic financial planning benefits for the remainder of the calendar year in which it's elected. Employees who purchase this benefit may also select optional face-to-face (or telephone) counseling with an Ernst & Young financial counselor as described above.

How to Enroll

With the Merck Benefits Service Center, there are two ways to enroll:

- Access Fidelity NetBenefits at <http://netbenefits.fidelity.com>. Internet access is available 24/7, using your Social Security number (keep in mind that when logging in, you may choose to use a Customer ID—an identifier that you create—in place of your Social Security number) and your PIN. (If you can't remember your PIN, you'll be able to do a PIN set/reset directly online...instantly.)
- Contact a Customer Service Associate for benefits information, support and transactions by calling the Merck Benefits Service Center at 800-66-MERCK. Associates are available from 8:30 a.m. through midnight (ET), Monday through Friday. And, they can take your 2007 benefit elections by phone, just in case you're traveling or don't have access to the internet!



▶ TOOLS AND RESOURCES FOR COMPARING YOUR 2007 MEDICAL PLAN OPTIONS

For information about the Medical Plan options available to you, please refer to your *Enrollment Worksheet*, available online through Fidelity's NetBenefits at <http://netbenefits.fidelity.com>, or by contacting the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

To compare all of the 2007 Medical Plan options available to you—including any HMO options—be sure to use Fidelity's *Plan Comparison Tool* available online through NetBenefits.

<http://netbenefits.fidelity.com>

Your 2007 Flex Annual Enrollment Checklist

As always, the key to making the most of what's available through the Flexible Benefits Program is to take an active role in selecting your benefits for the upcoming year. So don't just default, take the time to carefully consider all of your 2007 benefit options using the available tools and resources, including this Enrollment Checklist—and enroll today!

- Log on to Fidelity NetBenefits at <http://netbenefits.fidelity.com>;
- Review the Flex 2007 Newsletter;
- Review each of the action items listed below; and
- Check off the box to the right, as you complete the tasks for each benefit.

Once you have enrolled, remember to print your Confirmation Page for your records.

| 2007 Flex Annual Enrollment Checklist | | |
|---------------------------------------|--|-------------|
| For this Benefit: | | Check Here: |
| Medical | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions. • Review and update your dependent information on file with Fidelity as needed. • Compare your available health care options using the Fidelity NetBenefits <i>Plan Comparison Tool</i>, available through NetBenefits. • Review your 2007 Medical Plan default option. If you do not actively enroll, your Medical Plan coverage will default as shown on your NetBenefits <i>Enrollment Worksheet</i>. | |
| Dental | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions. • Review and update your dependent information on file with Fidelity as needed. • If you do not actively enroll, your Dental Plan coverage will default as shown on your NetBenefits <i>Enrollment Worksheet</i>. | |
| Vision Care | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions. • Review and update your dependent information on file with Fidelity as needed. • Consider the Vision Care benefits you may be eligible for as part of your Medical Plan option. • If you do not actively enroll, you will default to <i>no coverage</i> for the Vision Care Plan. | |
| Life Insurance | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions. • Review and update your dependent information on file with Fidelity as needed. • Review your beneficiary information on file with Fidelity—and update as needed. • If you are enrolled in either the <i>no coverage</i>, <i>one-half-times pay</i> or <i>one-times pay</i> coverage options for AD&D, your coverage will default to 1x pay for “new format” or 2x pay for “old format.” • If you are enrolled in $\frac{1}{2}$x pay Life Insurance, your coverage will default to 1x pay. • If you do not actively enroll, your Life Insurance coverage(s) will default to your current coverage(s) for all other options. • If you elected to increase/add coverage(s) for 2007, be sure to complete and submit any required Proof-of-Insurability (POI) form(s) within 60 days of the new benefit year. POI forms are available through the Reference Library of http://netbenefits.fidelity.com. | |
| Long-Term Disability (LTD) | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions, and 2007 default coverage option. • If you do not actively enroll, your LTD Insurance coverage will default as indicated on your <i>Enrollment Worksheet</i>. | |
| Long-Term Care (LTC) | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options and contributions. • Review your 2007 LTC Plan default options. If you do not actively enroll, your LTC Insurance coverage will default to your current coverage. | |
| Health Care Account | <ul style="list-style-type: none"> • Consider enrolling or re-enrolling in the Health Care Account for 2007. • If you do not actively enroll/re-enroll, you will default to <i>no contribution</i>. | |
| Dependent Care Account | <ul style="list-style-type: none"> • Consider enrolling or re-enrolling in the Dependent Care Account for 2007. • If you do not actively enroll/re-enroll, you will default to <i>no contribution</i>. | |
| Financial Planning | <ul style="list-style-type: none"> • View your 2007 <i>Enrollment Worksheet</i> for your available options. • If you do not actively enroll/re-enroll, you will default to <i>no participation</i>. | |

Required Reminders

IMPORTANT INFORMATION

The *Women's Health and Cancer Rights Act of 1998* requires that all group health plans that provide medical and surgical benefits with respect to mastectomy must provide coverage for:

- Reconstruction of the breast on which the mastectomy has been performed;
- Surgery and reconstruction of the other breast to produce a symmetrical appearance; and
- Prostheses and treatment of physical complications of all stages of the mastectomy, including lymphedema.

These services must be provided in a manner determined in consultation with the attending physician and the patient. This coverage may be subject to annual deductibles and coinsurance provisions applicable to other such medical and surgical benefits provided under the Plan. Please refer to the Medical Plan section of the *Merck Benefits Book** for deductibles and coinsurance information applicable to the medical option in which you choose to enroll.

▶ MERCK HEALTH PLANS NOTICE OF PRIVACY PRACTICES

Originally issued in 2003, the *Merck Health Plans' Privacy Commitment* addresses the protection of medical records, health benefits records and other personal information of participants in Merck's health care plans, including the Medical Plan, the Dental Plan, the Vision Care Plan, the Long-Term Care Plan and the Health Care Account.

Merck Health Plans' Privacy Commitment is available online through the Merck HR website under the Benefits tab. The notice is also available through Fidelity NetBenefits at <http://netbenefits.fidelity.com>. Print copies are available on request, and at no cost by calling the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

Benefits Contacts and Resources

NetBenefits

Your online benefits enrollment is just a click away at the Merck NetBenefits website

(<http://netbenefits.fidelity.com>). NetBenefits is administered for Merck by Fidelity, the Company's Benefits Plans Administrator. You'll also find important phone numbers, web addresses and forms. Log on to Fidelity NetBenefits at <http://netbenefits.fidelity.com> today!

Merck Benefits Service Center

Fidelity Customer Service Associates by phone at 800-66-MERCK (800-666-3725). For overseas calls, dial your country's toll-free AT&T Direct® access number then enter 800-666-3725. In the U.S., call 800-331-1140

to obtain AT&T Direct access numbers. From anywhere in the world, access numbers are available online at www.att.com/traveler or from your local operator.

Merck HR—It's All About You!

Access the Merck HR website at <http://hr.merck.com> or access many of our frequently called benefit providers by dialing one convenient number—866-MRK-HR4U (866-675-4748). Contact the Merck HR Service Center at 866-MRK-HR4U for Merck Payroll, New Hire Administration and general HR Policy inquiries.

*Please refer to the appropriate section of the *Merck Benefits Book*, together with any summary of material modifications thereof, including this *2007 Flexible Benefits News*, for the most complete and up-to-date details. Individual sections of the *Merck Benefits Book* are available online, under the Reference Library of Fidelity NetBenefits at <http://netbenefits.fidelity.com> or upon request by calling the Merck Benefits Service Center at 800-66-MERCK (800-666-3725).

Benefits under the plans and programs which are part of the Merck Flexible Benefits Program are available to U.S. and U.S. expatriate employees of Merck & Co., Inc., Merck Holdings, Inc., Merck and Company, Incorporated, KBI Enterprises, Inc., Rosetta Inpharmatics LLC, Merck HDAC Research, LLC., Abmaxis, Inc., Glycofi, Inc. and Merck Liability Management Company not covered by collective bargaining agreements and to employees of Merck & Co., Inc. covered by collective bargaining agreements who have negotiated to accept flexible benefits. Merck reserves the right to amend these benefits (and the plans and programs under which they are provided) in whole or in part or completely discontinue them at any time, subject to any collective bargaining union agreements.

This document constitutes a Summary of Material Modifications of the sections of the *Merck Benefits Book* applicable to the Company's Dental Plan, Life Insurance Plan, Long-Term Disability Plan, Long-Term Care Plan and Health Care Account and Dependent Care Account Plans, in each case, applicable to Flex-eligible employees and should be kept with those sections.

Copies of the *Merck Benefits Book* (and prior summaries of material modifications) are available for printing through the Reference Library of Fidelity NetBenefits or upon request by calling the Merck Benefits Service Center at 800-66-MERCK. The *Merck Benefits Book* is also available on the Merck HR website at <http://hr.merck.com>, under the benefits tab.

Field sales employees can access these websites through their FSNet and UUNet connections, respectively. Keep in mind that with the exception of information about benefits that are part of Merck's Flexible Benefits Program, the Merck websites referred to here apply only to non-union Flex-eligible employees. Please note that U.S. expatriate employees of Merck & Co., Inc. are not eligible for the Medical Plan options (including the prescription drug coverage and managed mental health coverage provided as part of those options) highlighted here. Also note that employees residing in Hawaii are only eligible for the HMO option available in that geographic location; they are not eligible to participate in the Merck PPO (Aetna POS Choice II), Merck 80/20 (with PPO/Aetna POS Choice II) or the Merck 80/20 Out-of-Area options.