



Budget provision to require companies insure long-term disability

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You can call it the Nortel clause – although it won't help former employees of the failed telecom company.

Thursday's federal budget includes a new requirement for companies to insure any long-term disability plans they offer to employees, ensuring the disability coverage won't disappear if a company goes bankrupt.

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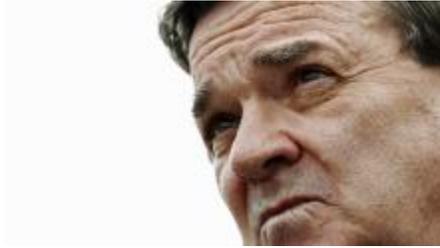


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The provision can be traced to the bankruptcy protection filing of Nortel Networks Corp. in 2009, when 400 employees on long-term disability learned their program was in jeopardy because it had been provided directly by the company itself, and was not backstopped by an insurance company. The Nortel employees ultimately had their benefits cut off and were paid a lump sum to cover their lost income for a brief period.

The federal budget aims to prevent workers from finding themselves in similar straits. But it won't help Nortel's employees on long-term disability, because the new provision will only affect companies "on a going forward basis," and will only apply to federally regulated companies, such as companies in the transportation and banking sectors.

The majority of companies in Canada are provincially regulated, so the new budget provision will not apply to them.

About 1.1 million Canadians work at companies that self-insure their long-term disability plans, according to the Canadian Life and Health Insurance Association, leaving workers vulnerable if the companies fail.