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Governments have yet to act to protect disabled workers when the minority of companies without insured benefits fail.

The issue is huge for the 400 or so employees of Nortel Networks Corp. who are at risk of a dramatic decline in income next year. It was huge for others before them.

Yet the demise of large employers like Nortel, T. Eaton Co., Confederation Life Insurance Co. or Massey Combines is quite rare.

So it would make sense to find a targeted response for the most vulnerable of employees.

That's one strength of a proposal from Senator Art Eggleton. He has put forward a bill that would put the few disabled employees nearer the front of the line for a share of assets when a company fails.

A similarly targeted response could be built into something new called an Employee Life and Health Trust.

This new type of trust is being designed to protect medical benefits, while assisting in the recovery plans for General Motors of Canada Ltd. and Chrysler Canada Inc. But governments could also consider requiring the minority of companies that choose not to insure disability benefits to make use of such a trust.

Ottawa could help reduce objections from employers by including special tax provisions. It could offer an immediate tax deduction for money set aside, and not limit the deduction until a year when benefits are paid. Ottawa could also allow a deferral of tax on investment earnings for this specific purpose.

To limit costs and abuse it could require the money be set aside once an employee qualifies for a disability pension.

This would not create a huge leakage of tax revenues at a time when federal and provincial governments are in deficit, and yet saying they want to encourage more tax-deferred retirement savings.

Buy limiting the funding for those already disabled, Ottawa could limit misuse of the new tax provision by self-serving entrepreneurs, professionals and their advisers.

The disabled person would pay income tax on the benefits. (Only employees who have paid all of the premiums for disability insurance collect income benefits without paying tax.)

I have suggested recently that employers could simply be required to buy insurance to cover long-term disability benefits. But, on second thought, that might be problematic.

Alberta has already tried to require insurance for disability benefits payable beyond two years. No other province's followed its lead, and Alberta abandoned the requirement two years later, in 2003.

Officials there called for comment before the government dropped the requirement for insurance.

They heard that insurance would not always be available, or affordable. They heard companies might consider curtailing or eliminating the benefits. As an alternative to insurance, they were asked to consider letting companies set up a reserve fund that was judged by an actuary to be sufficient. After all, not all companies will fail.

In the end, Alberta decided to require information instead of protection. It merely requires companies to inform employees if their benefits are paid from corporate earnings, and are not underwritten by an insurer.

A leading agent in the field of disability insurance, Lawrence Geller of Campbellville, points out that even employees with an insured disability benefit plan could use a lot more information.

They may not be aware of the restrictions that are used to control costs, or that those restrictions may change as the worker gets older, develops health conditions and is less able to find affordable coverage.

Most group plans generally require the injured or ill worker to seek some form of work for which he or she would reasonably suited and able to perform after a certain period, such as two years.

Some employers do purchase coverage that will pay an income to a person unable to continue in his or her own occupation. But the coverage is naturally more costly, and not as common.

So you may want to ask questions and seek personal advice in light of the potential that you will not be covered as for as long, or as well, as you might expect.

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