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## Daw: Disability benefits need insurance backup

August 30, 2010

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About 400 disabled employees of Nortel Networks Corp. are scheduled to have their income replacement and medical benefits cut off by year's end.

Nortel is being broken up under creditor protection. Their only hope of getting further money ahead of other creditors is a bill proposed by Liberal Senator Art Eggleton, a former Toronto mayor. But time is running short.

It's a disgrace that federal and provincial governments have yet to do anything to prevent this sort of situation.

They know that other disabled workers have been cut off in the past. They know others could face being cut off in the future. They know individual employees have few options to protect themselves.

Most employees would find it unreasonably expensive to buy individual disability and medical insurance just in case their employer could not pay its group benefits.

The Canadian Life and Health Insurance Association reports that 1,400 of Canada's largest companies had no insurance to back up long-term disability plans for 1.1 million workers in 2008.

These companies hired an insurer to administer their plans, but paid benefits out of their current revenues. Meanwhile, employers of another 9.4 million workers did pay for fully insured plans.

Eggleton says many other developed countries have either made insurance mandatory, or they have given disabled workers a preferred claim on the assets of a bankrupt company.

"We looked at (requiring insurance or a reserve fund) but decided in the short-term we should try to cover this particular problem (at Nortel)," he said in an interview.

His hope was that his proposed Bill S-216 would get something in place soon enough to help disabled workers at any company that was already in some form of bankruptcy or creditor protection proceedings.

It's estimated the cost to other creditors of Nortel to pay disability and medical benefits of disabled workers through to age 65 would more than \$90 million, he says.

The retroactive nature of the legislation is rather unfair to lenders and investors. So it seems unlikely the Conservative government of Stephen Harper will support the bill without changes.

So far, however, no one in government has crushed Eggleton's optimism for the bill. It has received second reading and been referred to committee for discussion this fall. A parallel bill would have to pass in Parliament to be enacted.

Yet, says Eggleton, "I think it has a good chance."

Life insurers are preparing to comment on the bill, but their association has yet to complete its submission and a spokeswoman declined to comment or arrange an interview.

For employees to feel more confident about their long-term disability benefits, provinces would have to step forward. They could require companies to purchase insurance, or give their employees the option of paying for an insured guarantee.

But Dwight Duncan, Ontario's minister of finance, says he is wary of imposing costs on employers that would discourage them from offering long-term disability benefits, and wary of providing a government guarantee.

"I am not saying we shouldn't look at (requiring some form of insurance for employees' benefits)," he said in an interview. "This is a real issue, but I am not sure what the answer is.

"I haven't seen anything yet that says anything other than the best way to deal with these situations is through the Bankruptcy (and Insolvency) Act," he added during a brief interview.

Officials at Ontario's Ministry of Finance have had a full plate dealing with pension shortfalls, pension reform, auto insurance reform, bailouts in the auto industry, economic stimulus and a massive spending deficit.

So disability income benefits have yet to receive attention. "Do we have anything in mind (for disability benefits) right now? No," said Duncan. "Have we done an in-depth study of it? No."

It would be unfortunate, however, if Duncan became the latest finance minister to let this issue slide. It happened after the failure of Massey Ferguson Ltd. in the early 1980s, and after the break-up of Confederation Life Insurance Co. in the mid-1990.

It shouldn't happen again.

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