

November 2013

Requirements for Federally Regulated Employers to Insure LTD Plans Come into Force on July 1, 2014

The [*Jobs, Growth and Long-Term Prosperity Act*](#) was passed by the federal government in 2012, which includes changes that will affect long-term disability (“LTD”) plans provided by federally-regulated employers. This will impact employers in the banking, marine, transportation, telecommunication and other federally regulated industries.

Specifically, it amends the *Canada Labour Code* (“Code”) to require every federally-regulated employer that provides an LTD plan to its employees to insure the plan with a provincially licensed insurer. Subject to any exceptions in the regulations, this requirement will also apply to health and welfare trusts that provide LTD benefits to employees in federally regulated sectors. These new provisions will come into force on **July 1, 2014**.

Once in force, self-insured LTD plans or plans that rely on an Administrative Services Only (ASO) plan will need to obtain insurance from a licensed provider in order to continue offering benefits, which may well result in increased costs to these plans. Prior to July 1, 2014, employers and administrators of these plans should take proactive steps to ensure that they will be able to meet this new requirement, such as consulting their plan advisors and investigating the feasibility of various insurance options.

The requirement to insure LTD plans will only apply on a go forward basis. Employers that provide benefits under a self-insured plan will not have to insure LTD benefits for employees who prior to July 1, 2014 were receiving LTD benefits or submitted applications for LTD benefits under the plan. It is also expected that exceptions to this insurance requirement will be provided in regulations that have yet to be released.

The penalty provisions of the Code are also being amended. In particular, the maximum fine for a violation of this new insurance requirement will be \$250,000. This is an increase from the \$5000 fine previously levied for most violations of Part III of the Code.

For more information please contact a member of our Pension and Employee Benefits Group.

Team Members

Name	Telephone	Email
Ken Burns	604.631.9286	kburns@lawsonlundell.com
Murray Campbell	604.631.9187	mcampbell@lawsonlundell.com
Lisa Chamzuk	604.631.6732	lchamzuk@lawsonlundell.com
Michael Wolpert	403.218.7513	mwolpert@lawsonlundell.com

Lawson Lundell LLP is a British Columbia Limited Liability Partnership. The information contained in this update is for general information purposes only. If you require legal advice or further information, please contact one of the lawyers listed above.

