



# Submission to the Canada Transportation Agency

## Regarding the “Regulations Amending the Air Passenger Protection Regulations”

Canadian Life and Health Insurance Association  
September 2021



Canadian Life & Health  
Insurance Association

Association canadienne des  
compagnies d'assurances  
de personnes

## OVERVIEW

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Canada Transportation Agency (CTA) on “Regulations Amending the Air Passenger Protection Act.

The life and health insurance industry plays an important role in providing financial security to Canadians, protecting millions of Canadians through a wide variety of life, health and retirement income products. In 2019, life and health insurers made approximately one billion dollars in travel related supplementary health benefits payments.



### Protecting 29 million Canadians

**26 million** with drug, dental and other health benefits

**22 million** with life insurance averaging \$222,000 per insured

**12 million** with disability income protection



### \$103 billion in payments to Canadians

**\$53 billion** in annuities

**\$38 billion** in health and disability claims

**\$12 billion** in life insurance policies



### \$8.3 billion in tax contributions

**\$1.5 billion** in corporate income tax

**\$1.3 billion** in payroll and other taxes

**\$1.6 billion** in premium tax

**\$3.9 billion** in retail sales and payroll taxes collected



### Investing in Canada

**\$950 billion** in total invested assets

**92%** held in long-term investments

The industry is also a major contributor to the Canadian economy, by employing 157,000 Canadians and providing an important source of stable capital for the federal government through investments and tax contributions.

## SETTING THE CONTEXT OF OUR RESPONSE

As in our submission on March 1, 2021 on the initial consultation, we'd just like to remind readers of why these regulations are important to travel insurers. As COVID-19 spread throughout the world, travel insurers worked diligently to bring Canadians home, provide daily stipends and extend health insurance to those stuck at destination and to provide trip cancellation refunds where there was a financial loss.

In many cases Canadians were confused and frustrated when their trips were canceled by the airlines and vouchers provided as opposed to refunds. Because the travel insurance industry considered that the travelers had already been made whole through issuance of these vouchers, no payments were made under travel insurance. The lack of refunds by airlines essentially resulted in Canadians propping up the airline industry through a difficult period where revenues plummeted.

The Canadian Transportation Agency's communication to Canadians was lacking as well in that it appears the issuance of vouchers were endorsed by the CTA.

While this situation is now rectified, it took over a year for the airlines to start the refund process resulting in a year of chaos and dissatisfaction for Canadian travelers. The proposed regulations are very important to ensuring that this situation never occurs again, whether during a global incident or through daily travel.

### **AGREEMENT WITH PROPOSED REGULATIONS**

It is our understanding that the following regulatory changes have been proposed in the event of a cancelation by the airline, the airline must:

- Provide a full refund or rebook the passenger within 48 hours of the departure time indicated on the passenger's original ticket, including on competitive airlines' flights;
- Provide full refund of unused portion of the ticket, including unused add-ons such as seat selection etc.;
- Refund using the original payment method; airlines can offer alternatives such as travel points, however the alternative format must provide more value than the original ticket cost and cannot expire;
- Refund deadlines are seven days for credit card repayment and 20 days for tickets purchased by other forms;
- Implementation of administrative monetary penalties for non-compliance.

The insurance industry is supportive of these regulatory changes, which will occur on a go-forward basis. The regulations are clear and provide some consistency with existing airline regulations in the United States and European Union, where possible. In particular, we appreciate the necessity to provide a longer rebooking/refund window of 48 hours, that differs from the EU timeframe of 5 hours, given the reality of schedules and geography in Canada.

Further on point three, we'd like to request that the regulations require airlines to inform their customers who choose alternate formats for refund such as travel points, that in doing so, they cannot seek trip cancellation refunds from their insurer.

We'd like to make a comment on the ***Regulatory Analysis of Benefits and Costs*** of these changes. For purposes of determining costs, the analysis places passengers into one of two categories for purposes of this assessment. We assume that the APPR requirements are enacted and the event causing the refund is the obligation of the airline:

1. *Passengers with refundable tickets, travel insurance, or flying with carriers that offer vouchers or refunds as per their tariffs.*

These passengers, in the baseline scenario, would receive a refund from the carrier when a refundable ticket is purchased, or from their insurance company when travel insurance is purchased. Therefore, there is no incremental benefit to these passengers of the proposed Regulations.

2. *Passengers with non-refundable tickets, no travel insurance, and flying with carriers that do not offer vouchers or refunds as per their tariffs.*

We'd like to remind airlines and the CTA, through this consultation, that in Scenario 1, trip cancellation benefits may apply only to any unrefunded portion of the ticket and the event must be one of the covered reasons for cancellation. A flight canceled by the airline would not qualify for a benefit. If the ticket is fully refunded, there is no loss created and trip cancellation insurance will not reimburse the passenger.

## **ADDITIONAL RECOMMENDATIONS**

### **Communication of New Regulations to Canadians and Visitors to Canada**

As has been learned from the roll-out of the original Canadian *Air Passenger Protection Regulations*, a communication plan is required to ensure travelling Canadians are aware of their rights when flights are delayed or cancelled. There should be requirements incumbent upon airlines that enter Canada as well as those that originate from Canada to inform passengers even when there is no delay. CTA should consider imposing requirements for airport signage, as an example.

### **Current Situation – Expiring Vouchers**

The travel insurance industry understands that, in the intervening time since our prior submission, most airlines have received monetary packages from the federal government tied to providing full refunds to passengers with credit vouchers. Some Canadians were unaware of this requirement or the window for obtaining a refund and now hold a voucher with an expiry date that is past or that will expire soon.

Airlines generally have not been very forthcoming to these passengers with information on extended expiry dates or elimination of an expiry date. In some cases, airlines are sending passengers with expired vouchers to their travel insurer for reimbursement. We would ask that the CTA require airlines to extend expiry dates and make this information very visible at their websites.

### **Extend APPR Regulations to Other Travel Providers and Intermediaries**

While these regulations are absolutely crucial to air passengers, the same problems can exist with other travel providers, including cruise ships and trains, although the criteria could differ. Intermediaries are usually trip organizers who develop group trips sold, for example, to the student and/or seniors market. Our experience over the last 18 months is that intermediaries have not always been transparent and clear with respect to refunds from their suppliers.

We would recommend that the CTA consider working with other jurisdictions to implement some kind of similar regulation for other travel providers.

## **CONCLUSION**

Thank you for the opportunity to provide the life and health insurance industry's thoughts. We strongly encourage the Canadian Transportation Association to make the recommended changes so that travelling Canadians are protected in future. Should you have any questions or wish to discuss further, please do not hesitate to contact Joan Weir, Director, Health and Disability Policy at [jweir@clhia.ca](mailto:jweir@clhia.ca) or 416-294-9384.