

**FSRA**

Financial Services Regulatory  
Authority of Ontario



# Auto Reform SABS Optionality Filing Specifications Benchmark Factors

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# Ontario Auto Reform – Benchmark Assumptions for Accelerated Filing Approach

As part of the Ontario auto reform effective July 1, 2026, insurers are required to use the benchmark factors in this document when making rate adjustments through the accelerated filing approach. This is to ensure that pricing is adjusted for existing products in order to align with the new product requirements.

The reform impacts several Accident Benefits (AB) sub-coverages, which will become optional for consumers to purchase, while remaining mandatory for insurers to offer. These include: Income replacement benefit, Non-earner benefit, Caregiver benefit (Catastrophic Impairment), Lost educational expenses, Expenses of visitors, Housekeeping and home maintenance expenses (Catastrophic Impairment), Damage to clothing, glasses, hearing aids, etc., Death benefit, and Funeral benefit.

The following step-by-step explanation outlines how FSRA's benchmark factors were derived.

## Step 1 – Remove Optional Coverages from Current AB Base Product

The removal of optional AB coverages from the current AB base product requires reducing the current AB base rate. This results in an estimated premium impact of **-18.9%** for AB. Insurers should apply a benchmark factor of **0.811** to the current AB base rate to account for the removal of optional AB coverages from the current product.

## Step 2 – Calculate Premium for Optional AB Coverages

The average premium reduction from Step 1 (e.g. -18.9% of current AB base rate) should be multiplied by a benchmark factor of **1.10**, to reflect FSRA's benchmark assumption of **80% uptake** for optional benefits. This represents the required total premium for the sum of nine optional coverages. This amount is then distributed across the nine optional coverages to form the basis for pricing the new optional coverages.

These nine optional coverages will add back **20.5%** of premium revenue on top of the new AB base product premium.

### **Step 3 – Reflect First Payor Change**

To account for the first-payor responsibility for Medical/Rehabilitation, the new AB base product premium is to be increased by 2.3%.

### **Step 4 – Off-Balance Premium Impacts for AB**

Finally, insurers need to calculate the cumulative premium impact for AB. Premium impacts must be **off-balanced** for AB to ensure premium revenue neutrality.

### **Step 5 – Shift to Bodily Injury**

The shift in costs from AB to Bodily Injury (BI) due to the reform's optionality may lead to increased costs for BI. As a result, a rate level increase for BI may appear necessary. However, the reform costing report shows that, across various scenarios, the overall impact of all reform changes for all coverages combined is close to 0%.

Given this, FSRA expects insurers to off-balance the premium impact for both AB and BI to ensure revenue neutrality **at the coverage level**. The impact of increasing BI base rates to account for the cost shift is offset by the required decrease for BI off-balancing. As a result, insurers are not required to make any net adjustment to BI base rates.

FSRA's reform costing analysis and the benchmark factors were developed using Ontario Private Passenger Automobile (PPA) industry data. Insurers who choose to apply these benchmark factors to their non-PPA reform filings can also use the accelerated filing approach to implement the product changes.

FSRA has set an 80% uptake rate assumption for the new optional AB coverages, and all insurers, whether following the accelerated or non-accelerated approach, are required to use this benchmark uptake rate in their initial reform filings. Once the reform is in effect, insurers may submit subsequent filings to FSRA based on the actual uptake rate for the optional AB pricing.

FSRA expects all insurers, regardless of whether they are using the accelerated or non-accelerated approach, to off-balance the premium impacts for AB and BI to maintain premium revenue neutrality at the coverage level.

Insurers must file their optional AB pricing and the associated rating rules with FSRA. These rating rules should clearly explain how the optional AB coverage pricing is applied when calculating premiums for individual customers, whether at the vehicle level, policy level, or other basis.

## Summary of Benchmark Rate Adjustments and Premium Impacts

Insurers should reduce their current AB base rate by 16.7% to achieve premium revenue neutrality for the AB coverage, assuming 80% uptake for optional AB.

Reform Impact on AB	Base Rate Adjustment	Premium Impact
Reduction in AB base rate due to optionality	-18.9%	-18.9%
Additional premium from optional AB (80% uptake)	n/a	+20.5%
First Payor adjustment for Medical/Rehabilitation	+2.3%	+2.3%
Cumulative impact (before off-balancing)	n/a	-0.5%
Off-balancing adjustment	+0.5%	+0.5%
<b>Cumulative impact (after off-balancing)</b>	<b>-16.7%</b>	<b>0.0%</b>

The impact of increasing BI base rates to account for the cost shift is offset by the required decrease for BI off-balancing. As a result, insurers are not required to make any net adjustment to BI base rates.

Reform Impact on AB	Base Rate Adjustment	Premium Impact
Increase in BI base rate due to cost transfer	+3.4%	+3.4%
Off-balancing adjustment	-3.2%	-3.2%
<b>Cumulative impact (after off-balancing)</b>	<b>0.0%</b>	<b>0.0%</b>

## Summary of Benchmark Rates for Optional Coverages Pricing

Insurers should take their current average on-level AB premium, based on their own mix of business, and apply a benchmark factor of 20.8% (or 18.9% x 1.10) to calculate the required total premium for the nine optional coverages. This amount is then allocated across the nine optional coverages using the distribution below, which serves as the basis for pricing the new optional coverages.

New Optional Coverages	Distribution (%)
Income replacement benefit	<b>74.4%</b>
Non-earner benefit	<b>12.2%</b>
Caregiver benefit (Catastrophic Impairment)	<b>0.2%</b>
Lost educational expenses	<b>0.4%</b>

Expenses of visitors	<b>1.6%</b>
Housekeeping & home maintenance (Catastrophic Impairment)	<b>7.8%</b>
Damage to clothing, glasses, hearing aids, etc.	<b>1.3%</b>
Death benefit	<b>1.6%</b>
Funeral benefit	<b>0.5%</b>

## Benchmark Factors for Increased Limits – Income Replacement

Insurers can choose to adopt the new benchmark increased limit factors for income replacement or continue using their existing ones. The impact from this change is expected to be negligible, so an impact analysis or off-balance procedure isn't necessary for this part.

When applying increased limit factors to the **Income Replacement Benefit** base premium, use the following benchmark factors:

Coverage Limit	400	600	800	1,000
Income Replacement Benefit	<b>1.000</b>	<b>1.892</b>	<b>2.513</b>	<b>3.184</b>

When applying increased limit factors to the **Total Disability Income** premium, use the following benchmark factors:

Coverage Limit	400	600	800	1,000
Total Disability Income	<b>1.000</b>	<b>1.817</b>	<b>2.416</b>	<b>3.072</b>

## Benchmark Factors for Non-Catastrophic Caregiver and Non-Catastrophic Housekeeping & Home Maintenance

Insurers can choose to adopt the new benchmark pricing for Non-Catastrophic coverages or continue using their existing ones. The impact from this change is expected to be negligible, so an impact analysis or off-balance procedure isn't necessary for this part.

### Non-Catastrophic Impairment Pricing:

- Housekeeping & Home Maintenance:**  
Multiply the Catastrophic Impairment price for Housekeeping & Home Maintenance by **8.7** to determine the Non-Catastrophic pricing.
- Caregiver Disability Income (assuming 80% uptake):**  
Multiply the Non-Catastrophic Housekeeping & Home Maintenance price by **0.4** to determine the Non-Catastrophic Caregiver pricing.

Please note that insurers must include optional pricing for both **Catastrophic Impairment** and **All Impairments** related to Caregiver and Housekeeping & Home Maintenance benefits in their reform filings submitted to FSRA.