

SABS Optionality Filing Specifications

The logo for the Financial Services Regulatory Authority of Ontario (FSRA) consists of the letters 'FSRA' in a large, bold, blue, sans-serif font.

Financial Services Regulatory
Authority of Ontario

Date: June 17, 2025

Speakers:

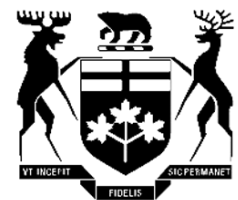
Michelle Dodokin, *Head, Auto Insurance Supervision*

Nada Fraij, *Director, Auto Supervision*

Cong Wang, *Chief Actuary, Auto Insurance Supervision*

Moderator:

Kelly Bruce, *Special Advisor and Technical Expert, Auto Insurance Supervision*



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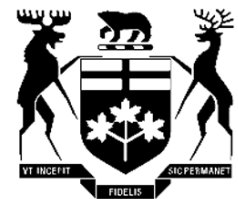
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Agenda

- Introductions
- Land acknowledgement
- Summary of SABS Optionality Changes
- Industry Working Group Development
- Overview of the Filing Requirements:
 - Filing Submission Period
 - Overall Filing Approach
 - Reform Benchmarks
 - Consumer Education & Transparency
- Summary/Re-cap
- Questions



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Introduction to our speakers

Michelle Dodokin, *Head, Auto Insurance Supervision*

Nada Fraij, *Director, Auto Insurance Supervision*

Cong Wang, *Chief Actuary, Auto Insurance Supervision*

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Land Acknowledgement

We acknowledge the land we are on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg (ah-nish-naw-bek), the Chippewa, the Haudenosaunee (hoodt-en-oh-show-nee) and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

Summary of SABS Optionality Changes

Mandatory

- Medical, rehabilitation and attendant care benefits

New Optional Accident Benefits

- Income replacement
- Non-earner
- Caregiver
- Housekeeping & Home Maintenance
- Lost educational expenses
- Expenses of visitors
- Damage to personal items (clothing, glasses, hearing aids, etc.)
- Death
- Funeral

- **Essential and Optional Benefits:** Mandatory medical, rehabilitation, and attendant care benefits will remain, while other accident benefits like income replacement will become optional, giving consumers control over what coverage they purchase
- **Flexible Coverage Options:** More choices in coverage, allowing consumers to tailor their insurance to fit their needs and budget.
- **Customized Protection:** Eliminates the one-size-fits-all approach, ensuring consumers only pay for the benefits they need.
- **Primary Payor for Injuries:** Auto insurance will become the first payor for motor vehicle accident injuries, preserving consumers personal or workplace benefits for other life events, providing an extra layer of financial protection.

Industry Auto Reform Working Group

To facilitate SABS optionality implementation an industry working group was established:

- Representation from insurers, brokers and key stakeholders (85+ people)
- 7 specialized workstreams



Broker/agent
Education



Consumer
Education



Pricing and
Underwriting
Filing



Cost
Benchmarking



Forms and
Endorsements



Technology
Implementation



GISA
Updates

Overview of Filing Requirements

Filing Submission Period

There will be two paths for SABS optionality filings:

Accelerated Filing Review Process

- File anytime after August 1, 2025
- 30-business day filing decision

Non-accelerated Filing Review Process

- File by September 30, 2025
- Decisions issued by end of year 2025

Regardless of the filing process chosen, insurers remain ultimately accountable for ensuring implementation on July 1, 2026

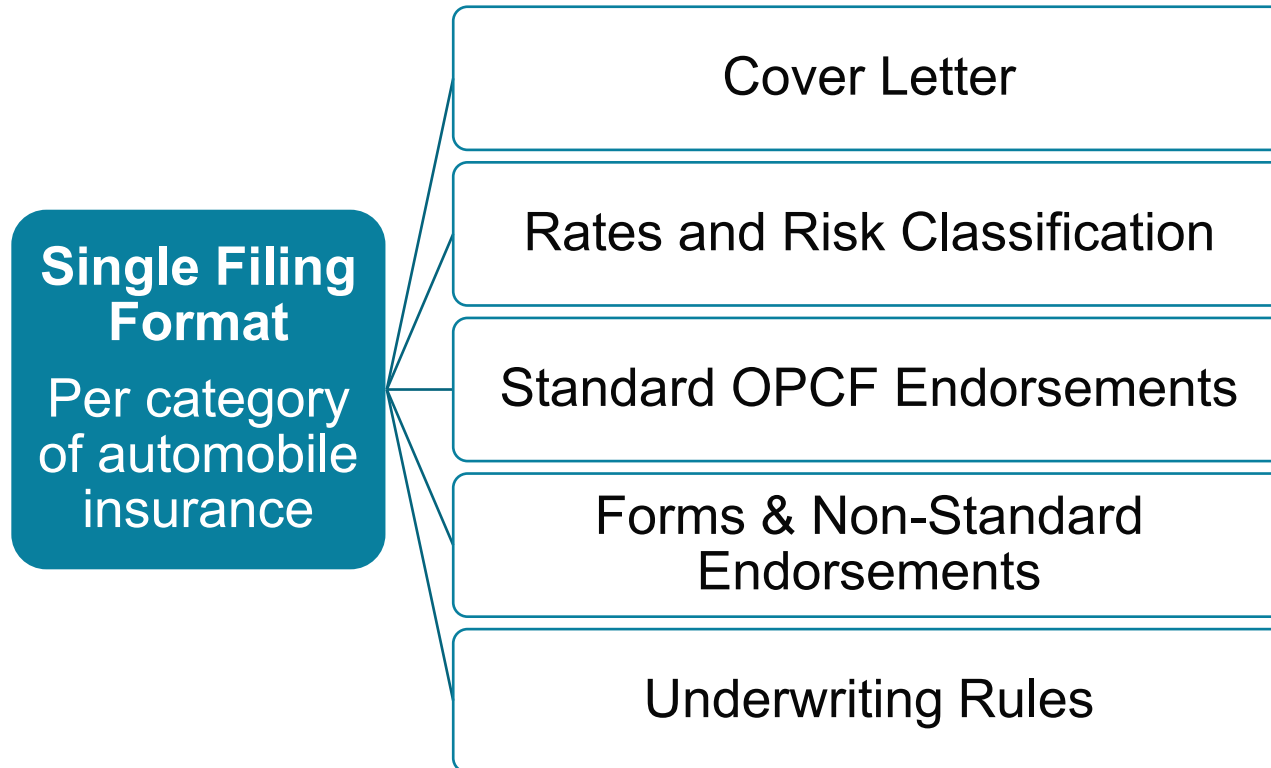
Filing Submission Period – Choosing a Filing Path

Criteria	Accelerated (30-day decision, file anytime)	Non-accelerated (file during filing window)
Use of FSRA Costing Benchmarks for BI & AB rate adjustment and optional AB pricing	Yes	Optional
Use of FSRA Benchmark assumption for Optional AB uptake rate	Yes	Yes
Actuarial Justification	Not required (Informed by FSRA Benchmarks)	Required
Individual coverages offered	Preferred	Preferred
Introduction of Bundled Coverages	Optional	Optional
Introduction of New Limits / Eligibility	Use non-accelerated path	Optional
Use of New Standard SABS Optionality Endorsement	Yes	Optional
Update to Certificate of Auto Insurance	Standard or Non-Standard	Standard or Non-Standard

- If insurers do not use FSRA cost benchmarks, they must have their own credible data to support pricing
- Bundled coverage pricing must be equal to or less than the cost of individual coverages
- Eligibility rules cannot be introduced on existing coverages/limits
- FSRA expects insurers to use the benchmark assumption for take up rates in the initial reform filing

Overview of Filing Requirements

Overall Filing Approach



Benefits of a Single Filing Format

- Concurrent and holistic review of all information and material submitted
- Increased efficiency associated with a single SABS optionality filing per category of automobile

Overview of Filing Requirements

Reform Benchmarks

Purpose

- Align pricing with new reform product through benchmark factors.

Highlights

- Several **Accident Benefits (AB)** sub-coverages become **optional for consumers**
- **Mandatory for insurers to offer**, but optional for consumers to purchase
- Insurers using the **accelerated filing approach** must apply FSRA benchmark factors **in its entirety**
- Benchmark factors were developed using Ontario PPA industry data; non-PPA insurers may also use them **for accelerated filings**.
- An **80% uptake rate** for optional AB coverages **must be used** in initial filings by all insurers, regardless of filing approach; adjustment to uptake rate and optional coverage pricing are welcome post-reform based on actual experience.
- Objective: **Premium revenue neutrality** at both AB and Bodily Injury (BI) coverage levels, regardless of filing approach.

FSRA engaged an industry working group to review both the costing report and benchmark document. Pricing actuaries are strongly encouraged to review the full costing report to gain a comprehensive understanding of the reform and how it informs the benchmark factors.



Remove Optional Coverages from Current AB Base Product

Apply factor 0.811 to the current AB base rate (-18.9%)



Calculate the Maximum Premium for 9 Optional AB Coverages Combined

Multiply the removed premium 18.9% from step 1 by 1.10 (assuming 80% uptake).



First payor adjustment (Medical/Rehab)

Apply +2.3% to new AB base premium



Off-balance AB to ensure neutrality

Apply +0.5% to new AB base premium



Cost shift to Bodily Injury (BI)

- BI increase +3.4%, offset by -3.2% off-balancing
- No net adjustment to BI base rates is necessary

AB Base Rate Reduction (including Optionality + First Payor + Off-balance):

- Apply **-16.7%** to the current AB base rate to achieve AB premium revenue neutrality

Maximum Premium for 9 Optional AB Coverages Combined:

- Apply **20.8%** (18.9% x 1.10) to the current AB premium to derive 9 optional coverages combined premium

Premium Distribution for 9 Optional AB coverages:

- Income Replacement: **74.4%**
- Non-Earner Benefit: **12.2%**
- Housekeeping and Home Maintenance (Catastrophic): **7.8%**
- Others (6 coverages): **5.6% total**
- **Note – File the associated rating rules in reform filing application**

Increased Limits:

- Income Replacement Benefit
- Total Disability Income

Non-Catastrophic Coverages:

- Non-Cat Housekeeping & Home Maintenance = Cat Housekeeping & Home Maintenance × 8.7
- Non-Cat Caregiver = Non-Cat Housekeeping & Home Maintenance × 0.4

Insurers deviating from the FSRA benchmarks* must provide actuarial justification, including:

A description of the underlying data, its credibility, and relevance

Methodologies and actuarial judgment used in determining base rate changes, and optional coverage pricing

Quantitative and qualitative rationale for any deviation from FSRA's benchmark assumptions

A comparison between the insurer's assumptions and FSRA's benchmark assumptions and pricing

* An **80% uptake rate** for optional AB coverages **must be used** in initial filings by all insurers, regardless of filing approach (accelerated or non-accelerated).

Overview of Filing Requirements

Consumer Education & Transparency

To evidence that transparency outcomes have been achieved, insurers are asked to provide the following summaries with their filings:



Intended intermediary training and communication plan

Customer communication plan

Summary Next Steps

Submit Filings beginning August 1, 2025

Non-accelerated path: Last day to submit – September 30, 2025

Accelerated path: File anytime

Contact your RM if you have any questions

Questions?

Thank You

A recording of this webinar, transcript, copy of this presentation deck and answers to questions will be posted to the [webinars](#) page on FSRA website.