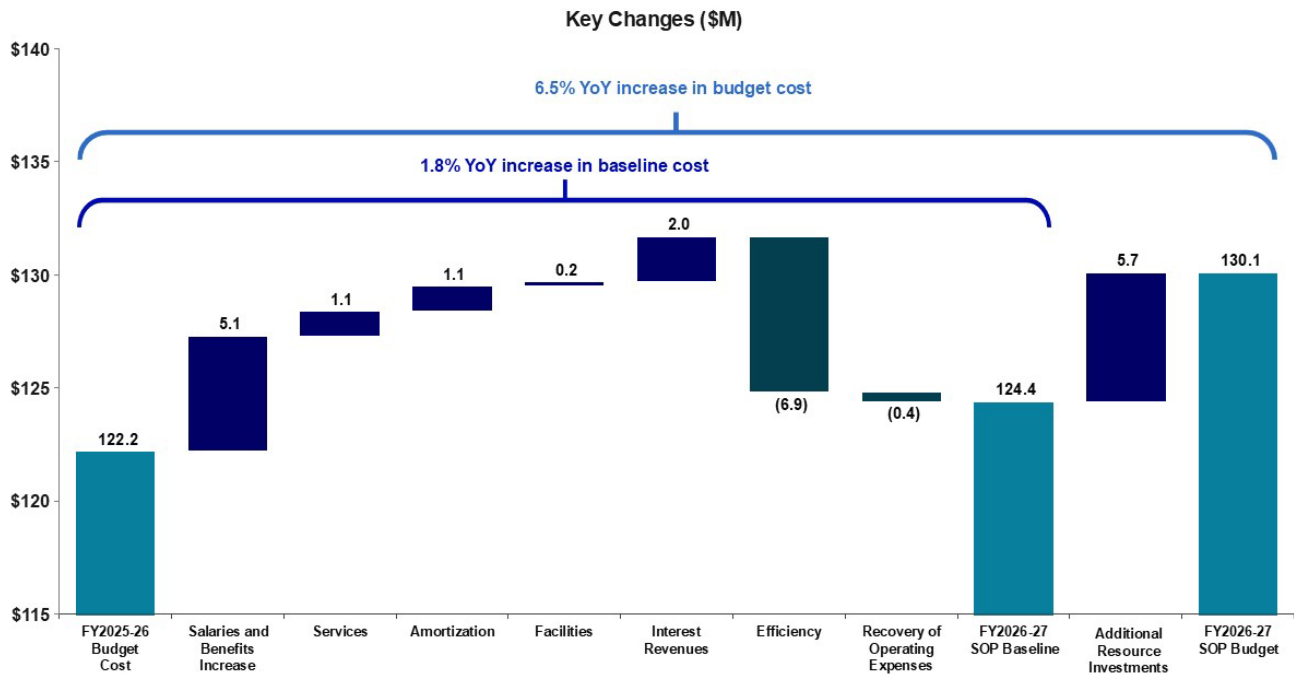


Financial information

Overview of Proposed Budget Plan

FSRA’s FY2026–27 Proposed Budget Plan totals \$130.1 million, representing an increase of \$7.9 million (6.5%) over the FY2025–26 budget.

The chart below demonstrates the projected costs compared to the FY2025-26 budget.



The FY2026-27 Baseline costs are projected to be \$124.4M, which represents a 1.8% increase over the FY2025-26 Budget.

Salaries and benefits are projected to increase by \$5.1M, or 5.4% from FY2025-26. This is primarily due to a \$3.8M increase related to the mandatory collective agreement along with the \$1.3M unrealized efficiencies.

Services are expected to increase by \$1.1M, or 9.3% from FY2025-26, primarily due to a new resource request approved in the FY2025-26 budget for a three-year consulting contract of \$4.5M to support auto insurance reform initiatives.

Amortization is expected to increase by \$1.1M, representing a 11.3% increase compared to the FY2025–26 budget. This increase is primarily driven by the true-up of FY2025–26 actual investments.

The \$0.2M increase in Facilities, representing a 4.7% increase over FY2025-26, reflects the annual updates to lease agreements.

Interest revenue is expected to decrease by \$2.0 million from FY2025–26, due to a lower interest rate assumption and anticipated lower cash balances in the FY2026–27 Budget Plan.

FSRA conducted a review of its operations and identified efficiencies across multiple areas, resulting in anticipated savings of \$6.9 million in FY2026–27. These savings are expected to be achieved through a combination of organizational restructuring, resource reallocation to optimize utilization, cost reductions, and enhanced operational effectiveness, without compromising core business functions.

FSRA anticipates investing \$68.5 million in resources for identified initiatives and projects over the next several years, with \$5.7 million of these initiatives impacting the financial plan for FY2026–27. These requests aim to advance FSRA’s statutory objectives, which include protecting the rights and interests of consumers, fostering and enabling innovation, enhancing regulatory oversight through improved access to data and analytical tools across all sectors, and increasing overall regulatory effectiveness. More specifically, in each sector, these requests would allow FSRA to deliver the following:

- Implement the licensing regime for Managing General Agents (MGAs)
- Launch the new Fraud Reporting Service and collaborate with the industry to operationalize it
- Strengthen governance through effective Board support

- Advance Auto Insurance Product and Market Conduct technology transformation
- Build critical IT infrastructure capabilities
- Implement new solutions and migrate legacy record management platforms to modern systems
- Address inflationary impacts on licensing subscriptions and telecommunications support

The proposed business plan is presented at a high level. Management is developing a detailed budget for FY2026-27, which will include specific spending and benefits of new initiatives and revenue impacts on individual sectors. This will be included in the upcoming Annual Business Plan.

Proposed sector fee assessments

The proposed FY2026–27 Budget Cost of \$130.1 million includes \$5.7 million in additional resource investments to support new Ministry-directed priorities. With \$3.0M surplus funding applied, the total revenue requirement is \$127.1 million, representing an increase of \$10.9M or 9.4% y/y compared to the FY2025–26 Budget.

The required Variable Fee Assessment is \$92.2M, reflecting an increase of \$7.2M or 8.5% y/y compared to the FY2025–26 Budget.

See below chart for more detailed information on FSRA’s proposed budget, sector fee assessments, and a breakdown of new cost drivers.

Sector (\$M)	Auto Insurance Products*	Health Service Providers	P&C Conduct	P&C Prudential	Life & Health Conduct	Life & Health (MGA)	Pensions	Credit Unions	Mortgage Brokers	Loans & Trusts	FP&FA	Total
FY2026-27												
Activity and Licensing Fees	-	3.6	1.4	-	7.3		-	-	18.4	-	0.1	30.9
Variable Fee Assessment	18.4	-	10.6	4.0	11.3		25.3	20.8	-	0.8	0.9	91.9
Total Revenue	18.4	3.6	11.9	4.0	18.6		25.3	20.8	18.4	0.8	1.0	122.8
Total Cost	18.7	3.6	12.2	4.0	18.9	4.3	25.8	21.2	19.5	0.8	1.0	130.1
Fixed Fee Sector Over (Under) Contribution	0.2	-	0.1	0.0	0.1		0.3	0.2	(1.1)	0.0	0.0	-
Funding from Cumulative Surplus	0.6	-	0.4	0.1	0.4		0.8	0.7	-	-	0.0	3.0
Change from FY2025-26												
Fee Assessment	14.3%		7.7%	7.9%	18.7%		1.8%	7.9%		-2.2%	15.4%	8.5%
Total Revenue	14.3%	2.8%	7.9%	7.9%	13.4%		1.8%	7.9%	1.2%	-2.2%	13.2%	7.0%
Total Cost	10.4%	2.8%	4.0%	4.0%	11.1%		-1.9%	4.0%	1.8%	-5.8%	9.1%	6.5%

Notes:

(*) Auto Insurance Product includes HSP under/(over) recovery

The SOP Budget Plan is prepared on management reporting basis to show how costs will be allocated across sectors for recovery purposes.

The amounts are rounded to the nearest \$0.1M. Consequently, some variances and totals may not align precisely

Life & Health Conduct does not include the MGA start up costs. The MGA framework, including new licensing fees, is subject to further consultation and approval.

Appendix 1: Financial assumptions

- Comparable figures are based on the April 1, 2025 – March 31, 2026 budget approved by the FSRA Board and used to charge FY2025-26 fee assessments.
- The financial information for FY2026-27 SOP is a high-level projection. The detailed budget will be published in the FY2026-29 Annual Business Plan.
- FSRA regulates Health Service Providers as part of its Auto Insurance regulatory activities. Any revenue under recovery/overage from Health Service Providers is charged/credited to the variable fee assessment for Auto Insurance Product sector.
- Life & Health Conduct for Life and Health insurance agents is a fixed fee sub-sector. Any cost overage/underage will be charged to life insurers as a variable sub-sector.
- Managing General Agents (“MGA”) is considered part of the Life & Health Insurance sector, but its costs are reported separately to ensure transparency, as these expenses will ultimately be recovered from this sector once regulation commences and an appropriate fee rule is established. Costs are currently being accrued and deferred until the launch to ensure that other sectors do not bear the financial burden of the MGA during the establishment of the regime.
- Any common cost over- or under-contribution in the Mortgage Brokers sector will be proportionately applied to other sectors.
- FSRA will recover expenses for its review of Co-op offering statements.
- FSRA and the Union are currently engaged in collective bargaining negotiations. The Across-the-Board (“ATB”) assumption is based on the existing Ontario Public Service (“OPS”) Collective Agreement.

- The budget plan is prepared using management reporting criteria and does not follow Public Sector Accounting Standards (PSAS). The objective is to provide stakeholders with clear visibility into costs and recovery timing, rather than to comply with external accounting standards. For example, FSRA*Forward* operating investments planned during the budget year are scheduled to be recovered over five years from the sectors, rather than being fully expensed in the year under PSAS to better align costs and benefits.

Appendix 2: Sector allocation methodology highlights

Direct Cost Allocation: Business divisions include Auto Insurance Product, Pension, Credit Union Insurance Prudential, Market Conduct, Legal, Policy, Public Affairs, Lease and IT Projects.

Pension, Credit Union Insurance Prudential, and Auto Insurance Product Division costs: allocated 100% to their respective sectors (with minor exceptions, i.e., the designated team within Credit Union Insurance Prudential is allocated to the P&C Prudential Regulation sector).

Market Conduct and Policy Division: based on dedicated full-time equivalents (“FTEs”) to specific sectors. FTEs that are not dedicated to specific sectors are allocated based on Market Conduct and Policy direct allocation rates.

Legal Division: allocation based on anticipated use of service considering FTEs allocated to each sector and historical activity.

Public Affairs: Allocation is determined by the anticipated use of service, considering the number of FTEs assigned to each sector as well as past activity. The allocation of operating expenses is based on projections for their respective sectors. FTEs and operating expenses that aren't dedicated to specific sectors are distributed according to Public Affairs' direct allocation rates.

Lease costs: allocated based on the number of FTEs.

Sector-Specific IT Projects and Hybrid Projects: Allocation is based on cost driver analysis or prorated across benefiting sectors.

Common Cost Allocation: Includes CEO Office, Corporate Services (which included IT non-specific project costs), Interest, Amortization

FSRA allocates common costs to sectors proportionately based on individual sector's direct cost. E.g., if Auto Insurance Product's direct costs represent 15% of overall direct costs of \$68.0M, then its share of \$52.5 million total common costs would be \$7.9 million (or 15%).