REPORT

Ontario Auto Reform: Understanding the impact

A market shift that will be felt less at renewal than at first notice of loss

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Ontario's July 1, 2026 auto reform is often framed as a flexibility measure. In practical terms, it is a redistribution of risk. Medical, rehabilitation and attendant care remain mandatory, while most other accident benefits move to an optional purchase model. For renewing policies, prior elections may generally carry forward depending on policy terms and insurer practices, unless the insured opts out in writing; while for new policies, the default is expected to be mandatory-only coverage unless optional benefits are actively added. The result is a market where claimant outcomes will depend less on what the regulation says in principle and more on what was elected, documented and understood before the accident occurred.

That shift is arriving in a cost-sensitive environment. Ontario auto premiums rose by about 4.1% in 2025, based on available market data, driven by repair inflation, vehicle theft, fraud and higher claims severity, while FSRA's reform costing has indicated that moving to an à la carte accident benefits model could potentially reduce average mandatory premiums by roughly 5%. Historically, many policyholders carried only the minimum income replacement benefit of $400 per week, even though that benefit is estimated to be engaged in a meaningful proportion of non-minor injury claims (cited in the range of 25 to 30%). In other words, the incentive to save on premium is real, but so is the likelihood that consumers may underestimate the value of benefits they do not fully expect to need.

Benefit	Before July 1, 2026	As of July 1, 2026
Medical & Rehabilitation	Mandatory	Included
Attendant Care	Mandatory	Included
Income Replacement Benefit (IRB)	Included as standard accident benefits	Included
Non-Earner Benefit (NEB)	Included as standard accident benefits	Included
Caregiver Benefit	Generally limited to catastrophic claims unless optional benefit purchased	Optional add-on
Housekeeping & Home Maintenance	Generally limited to catastrophic claims unless optional benefit purchased	Optional add-on
Lost Educational Expenses	Included	Optional add-on
Visitor Expenses	Included	Optional add-on
Supplementary Medical, Rehabilitation and Attendant Care Benefit	Included	Optional add-on
Death Benefit	Included	Optional add-on
Funeral Benefit	Included	Optional add-on
Dependent Care Benefit	Optional	Optional add-on
Indexation	Optional	Optional add-on / election-based

Why this reform may influence claims behaviour

The important change is not simply that benefits become optional. It is that optionality fragments the claims landscape. Under the reform, optional benefits apply only to the named insured, spouse, dependants and listed drivers. Two people injured in similar circumstances may therefore have materially different access to economic support depending on how the policy was structured, whether they fall within the insured group and which insurer has priority. That raises the stakes for early file triage, because coverage analysis now sits closer to the centre of the claim than it did under a more standardized regime.

Renewal decision

Consumer faces cost and coverage trade-offs

Coverage election

Benefits are retained, reduced or omitted

Documentation

Explanation and selections are recorded

Priority

Determines which policy and endorsements respond

First notice of loss

Coverage reality becomes visible

Ontario auto reform shifts risk upstream to the policy decision and downstream into the claim file, where coverage elections, documentation and priority shape the claimant's outcome.

> The real shift is not administrative. It is that coverage risk moves upstream to renewal and downstream in the claim file."

Michael McNeill
Senior General Adjuster

Where exposure is most likely to surface

The new exposure does not rest only with consumers who consciously reduce coverage. It also falls on people who are not directly involved in the purchase decision at all. Pedestrians, cyclists, passengers, young adults without their own vehicles and employees using commercial fleets may discover that benefits beyond medical, rehabilitation and attendant care are not available in the way they may have assumed. This is especially significant where optional benefits were previously taken for granted as part of a standard policy but are now tied to a narrower group of insured persons.

Transition rules will soften the change at first, but only temporarily. Renewing policies generally preserve prior elections unless coverage is removed in writing, which means the reduction in benefits may happen gradually. New business is different. Those policies begin at mandatory-only unless the consumer actively purchases more. Over time, that is likely to widen the gap between expectation and entitlement, particularly in household or commercial settings where one person chooses coverage and others experience the consequences after loss.

The files that will demand more technical judgment

For adjusters and claims leaders, the reform makes first-notice decisions more consequential. File direction will depend on whether optional benefits were purchased, which endorsement applies, whether the claimant falls inside the insured group and how statutory priority interacts with any available optional coverage. The revised OPCF 47R is intended to reduce harm caused by applying to the wrong insurer by allowing correction of an inadvertent application error. Even so, the environment becomes less forgiving. A coverage or notice error at the outset may significantly affect the claimant's access to wage loss, caregiver support or other economic benefits, not just a peripheral issue on the file.

Some lower-severity files may become simpler where only mandatory benefits remain in play. But simplification at the basic-policy end does not remove complexity from the market. It concentrates complexity in the files that remain contested, underinsured or improperly understood. Claims organizations will need sharper intake discipline, stronger documentation practices and adjusters who can navigate optional benefits, collateral coverage and priority issues without relying on assumptions built for the pre-reform environment.

> "As benefits become more variable, early coverage analysis becomes more determinative of outcome."
>
> Michael McNeill
> Senior General Adjuster

What the broader system is likely to feel next

When economic loss is no longer addressed through accident benefits, pressure does not disappear. It moves. Some of it may shift toward tort, where recovery is slower and more uncertain. Some will move to employer disability plans, household savings or public systems such as OHIP, EI, OW and ODSP. In that sense, the reform may not remove cost from the system so much as redistribute it across insurers, claimants, employers and public supports. The claims signal to watch is therefore not only reduced accident benefits volume, but changing patterns in litigation, collateral claims and disputes over who should respond.

Documentation will become one of the market's clearest fault lines. Brokers and insurers that cannot show what was explained, elected or declined may face increased scrutiny in some cases where a serious loss highlights a gap between consumer expectation and actual coverage.

For brokers, the reform elevates renewal conversations from a price discussion to a professional judgment discussion. The central challenge is no longer simply explaining available options. It is helping clients understand which risks are being retained personally when coverage is reduced.

Implications for insurers, brokers and claims leaders

Ontario's 2026 auto reform should be understood not as a simple coverage redesign, but as a market discipline test. It will reward organizations that can translate regulatory change into informed choice, defensible documentation and technically sound claims handling.

The immediate premium savings may be modest. The operational consequences are not. Over the next renewal cycles, market leaders may be distinguished by how clearly, they can interpret the reform's real-world behaviour when coverage gaps, severity and claimant expectations collide after loss.

Conclusion

The question raised by Ontario auto reform is not whether optional benefits create more consumer choice. It is whether the system is prepared for the claims reality that follows when default protection narrows. In this environment, preference will be earned by those who can connect regulation, documentation and claims execution into one coherent response. That is where leadership in this market will become visible.

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