



BEARDWINTER LLP

Defender

December 2024

SABS amendments coming July 1, 2026: What you need to know

December 2, 2024

Authors: Bryn Allan, Student-at-Law & Damian Di Biase, Lawyer

The Ontario Government's recent changes to the [Statutory Accident Benefits Schedule](#) ("SABS"), introduced under [Ontario Regulation 383/24](#), will significantly alter the landscape of automobile insurance in the province. These changes, set to take effect on July 1, 2026, will make many of the benefits traditionally included in the standard Ontario Automobile Policy (OAP) optional. While the amendments offer greater flexibility for policyholders, they also raise concerns regarding accessibility, affordability, and fairness for vulnerable individuals, as well as operational challenges for insurers.

A Shift from Mandatory to Optional Benefits

Starting July 1, 2026, many benefits (Part II, IV, V, VI) that were once part of the standard Ontario Automobile Policy ("OAP") will become optional. These include:

- Income Replacement Benefits
- Non-Earner Benefits
- Caregiver Benefits
- Housekeeping Benefits
- Lost Educational Expenses
- Visitor Expenses
- Expenses for Clothing Damage
- Funeral and Death Benefits

These changes will provide policyholders with more choice in terms of their insurance coverage. However, the shift from mandatory to optional benefits may have unintended consequences, particularly for those who may not be able to afford the additional coverage. Previously, these benefits were available to pedestrians, cyclists, and individuals who were involved in the respective accident. However, the above benefits will now only be available to the name insured, their spouse and/or dependents, and those

listed on the policy as drivers of the insured vehicle.

Benefits under Part III, medical, rehabilitation and attendant care benefits, remain as mandatory auto insurance coverage.

A minor but significant amendment concerns caregiving, housekeeping and home maintenance benefits. With the new amendments, the legislature has removed the requirement for the insured to suffer from a “catastrophic” impairment. As of July 1, 2026, they will only need to suffer an impairment.

No More Automatic Income Replacement Benefits

One of the most notable changes relates to the income replacement benefit. Under the current system, individuals injured in a motor vehicle accident are entitled to up to \$400.00 per week in income replacement benefits, regardless of fault. If additional coverage was purchased, this benefit could be increased to \$800.00 per week. This benefit is available to income earners who meet the disability test, without needing additional riders or coverage. It also applies to pedestrians, cyclists, and individuals who were involved in the respective accident, but who do not own cars or hold a driver’s license.

Under the new regulatory framework, the income replacement benefit will no longer be automatically included. Instead, insurers will be required to offer it as an optional coverage, meaning policyholders will need to opt-in to purchase this benefit. This introduces a new layer of complexity for insurers, who will now need to ensure that customers fully understand the implications of purchasing or declining this coverage. As well, the benefit will only be available to the name insured, their spouse and/or dependents, and those listed on the policy as drivers of the insured vehicle.

Financial and Practical Implications for Insurers

The change to income replacement benefits will not only impact the types of claims filed but will also affect insurance premiums and claims management. For insurers, the mandatory nature of the income replacement benefit meant a predictable financial liability for accident claims.

The amendments are also likely to have an effect on personal injury litigation. Historically, insurers could offset the amount they paid for income replacement benefits through a set-off in tort claims. However, if fewer people opt for income replacement coverage, the set-off mechanism will likely become less common, and tort defendants may be exposed to larger financial liabilities. This could lead to an increase in the overall cost of tort settlements for insurers. Tort insurers also used to have the benefit of the insurer’s examination reports that are collected through the accident benefits claims process. The availability and usefulness of these reports is likely to be affected if the overall benefits available are reduced.



Furthermore, without the set-off, insurers might see a rise in tort claim values. Plaintiffs may seek to recover more for lost income, care costs, and other accident-related damages that were previously covered under accident benefits. Insurers might need to adjust their liability reserves and pricing models to reflect the potential increase in tort claims, as well as the need to handle more complex cases without the benefit of set-offs.

Impact on Vulnerable Populations

From a market perspective, the new regulations could disproportionately affect certain vulnerable groups who may not have the financial capacity to purchase the additional coverage. Pedestrians, cyclists, and others who are not car owners will be particularly vulnerable, as they will have limited access to the income replacement benefit unless they have an alternate form of coverage. Insurance companies may find that certain groups are disproportionately affected by the new system, which could lead to increased scrutiny from regulators, consumer advocacy groups, and the public.

As a result, there could be growing concerns about accessibility to critical accident benefits, especially for those who are least able to afford additional coverage. Insurers may face reputational risks if these changes lead to a perception that insurance products are no longer accessible or equitable for all consumers, especially those who rely on income replacement or caregiver benefits to recover from accidents.

Social and Economic Implications

The Ontario government's decision to make income replacement benefits optional may also have broader economic implications. If a significant number of policyholders decline these benefits, there could be a greater reliance on public assistance programs, such as ODSP, CPP-D, and Ontario Works. This could place additional pressure on government-funded programs, which may eventually lead to higher claims costs and additional burdens on the healthcare system. For insurers, this could mean more complex cases, potentially leading to higher claims payouts or longer timelines for trial or settlement.

Moreover, insurers may also face increased litigation as more individuals may seek recourse through tort claims. With fewer people covered by income replacement benefits, there could be an increase in lawsuits for damages related to lost income, care costs, and rehabilitation expenses. Insurers will need to adjust their claims reserves accordingly and anticipate the potential impact on their financial outcomes.



Takeaway

The amendments to the SABS, set to take effect on July 1, 2026, represent a significant change in Ontario's automobile insurance industry. For insurers, the shift to optional income replacement benefits introduces new challenges in terms of claims management, financial exposure, and customer communication. If these amendments come into effect as they currently stand, insurers will likely need to adapt their operations to manage these changes, ensuring that policyholders understand their options and are informed of the potential consequences of opting in or out of coverage.

Click to Subscribe To
The Beard Winter Defender

Disclaimer: The contents of this issue are provided for interest only and are not to be considered as, in any way providing legal advice to the readers by Beard Winter LLP or the individual authors of articles contained herein. All readers are strongly advised to obtain independent legal advice on any issue of concern to them from competent legal counsel in Ontario.



Beard Winter LLP's Insurance Litigation Group

Since the firm's inception in 1964, Beard Winter LLP's insurance practice group has acted on behalf of local, national and global insurers, delivering client-focused advocacy solutions over a wide array of specialty practice areas. Our current group carries on a proud history of excellence and integrity, which includes three appointees to the Ontario Superior Court of Justice.

Your comments are appreciated and if there are any commercial or insurance related topics that you would be interested in reading about, please feel free to email us and we will certainly explore the possibility of writing an article. Contact: defender@beardwinter.com

