Outlook.

Nonprofit

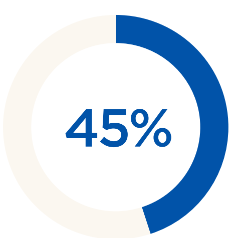
Nonprofits with strong risk management will persevere.

HUB

Risk & Insurance | Employee Benefits | Retirement & Private Wealth

What to Expect in 2024

Nonprofits have maintained a frenetic pace in response to catastrophic events in Canada and around the globe. But declines in charitable giving and government funding — not to mention staffing issues — will challenge nonprofits' ability to fulfill their missions. Organizational resilience will be key for nonprofits in managing new and ongoing risks.



Only 45% of nonprofit organizations say funding levels are equal to what they were in 2019.

Environics Analytics, "The Giving Report 2023: Insights and What's Next for Canadian Charities," May 11, 2023.

Economic Viability

Higher costs and funding reductions will impact budgets.

Funding remains a top challenge for nonprofits. Fewer than half of nonprofit organizations report that their funding is equal to pre-pandemic levels, and 80% report that inflation is raising their costs.[1] At the same time, charitable giving decreased 4.3% between 2010 and 2020.[2]

Cuts to government funding and higher labour costs will also affect nonprofits' finances. In addition, nonprofits may face more frequent and severe disasters and higher prices for the goods and services they need to carry out their missions. Yet the demand for charitable services remains high, with 22% of organizations reporting that the need for their aid significantly exceeds their capacity.

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Higher insurance costs are also hurting nonprofits. But forgoing or reducing coverage exposes nonprofits to greater risk at a time when losses, particularly due to catastrophic weather events, remain elevated.[3]

Property insurance, commercial auto and abuse and molestation coverage will have the greatest impact on nonprofits' bottom line. Although many nonprofit organizations responding to HUB International's 2024 Outlook Executive Survey indicated they are confident in their risk preparedness, only 21% said they have enough insurance coverage to protect their contribution margin.[4]

However, nonprofits are improving their economic viability by becoming increasingly savvy and agile, with many leveraging the technological expertise of the newest generation of employees to broadcast their mission and thinking outside the box to make a social impact. Organizations with clear visions, strong leadership and a strategic plan for managing risk will be best positioned for the future.

1. Environics Analytics, "The Giving Report 2023: Insights and What's Next for Canadian Charities," May 11, 2023.
2. The Fraser Institute, "Generosity in Canada: The 2022 Generosity Index," December 2022.
3. Canadian Underwriter, "Where 2023 Cat losses stand after summer storms," September 20, 2023.
4. HUB's 2024 Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Personalized benefits will improve recruiting and retention efforts.

A tight job market continues to test the nonprofit sector. Nearly 60% of nonprofits report that they have the same number of paid staff — and fewer volunteers — despite the increased demand for services.[5] Absenteeism ranked as a top concern for 90% of HUB's Canadian nonprofit survey respondents, followed by job market dynamics, inflation and employee wellbeing at 79%.

Compensation also ranks as one of the top challenges, according to nonprofit survey respondents. Higher costs strain budgets, yet nonprofits must compete for talent with the private sector, which can offer higher salaries.

Rising employee benefits costs also continue to bedevil nonprofits, particularly when those organizations rely on the quality of their benefits to compensate for lower wages.[6]

Personalized benefits that consider individualized employee needs and focus on wellbeing can help nonprofits recruit and retain talent, even with salary constraints. Wellness programs and mental health services that speak to individual employees can be a key differentiator in recruitment and retention.

In addition, nonprofits can boost employee talent acquisition and workforce management through personalized benefits. Personalized benefits informed by data and analytics can deliver **quality employee experiences (QEX)**, which helps improve employee engagement, loyalty and productivity.

Though personalized benefits may seem like a stretch for some nonprofits, they are not out of reach. Cost-effective benefits changes that integrate diversity, equity and inclusion initiatives or align benefits with environmental, social and governance criteria can create significant value that attracts employees to the organization.

Nonprofits can take advantage of unconventional funding strategies to boost their benefits offerings, such as creating a human capital endowment fund or exploring a benefits captive.

Those with limited financial means can provide a range of minimal-cost benefits such as health savings accounts, emergency savings funds and free or reduced-cost access to financial education and wellness platforms.

5. Environics Analytics, "The Giving Report 2023: Insights and What's Next for Canadian Charities," May 11, 2023.
6. Benefits Canada, "Employer health benefits cost trends rising 10% in 2023: survey," October 17, 2022.

Resiliency

Eliminate silos to improve risk management.

Budget pressures and staffing shortages have made it difficult for nonprofits to prepare for and respond to risks. In fact, HUB's survey found that just 32% of nonprofits have fostered a culture of risk awareness and preparedness.

Insurance rates are rising between 7% and 20% for coverages, and capacity in the nonprofit space is more limited. Insurers are requiring more information before issuing a policy, and organizations may struggle to secure sufficient directors and officers (D&O), cyber, and abuse and molestation insurance coverage.

Given these challenges, it's critical that nonprofits pay more attention to mitigating exposures. Developing an enterprise risk management (ERM) plan that includes a thorough assessment of the organization and implements strategies for addressing exposures is the key to organizational resilience. Built in partnership with all organizational stakeholders, an ERM plan can help prevent expensive losses that could arise from catastrophic events.

Too often organizations work in silos, which can threaten resiliency. For example, a nonprofit may have strong water damage mitigation measures, but neglect to implement controls for vetting employees and volunteers, exposing the organization to risk. Failing to conduct background checks or review motor vehicle records could expose an organization to significant liability.

Making risk management a true part of the organization can help nonprofits navigate today's tough insurance environment by improving the organization's insurability and enabling them to continue their mission for years to come.

Crisis Management

Planning for worst-case scenarios is essential to survival.

Nonprofits are experts at responding to those in need during a crisis, but they aren't always as prepared to handle crises that affect themselves.

In general, nonprofits are more trusted by the public than other institutions, but public trust in nonprofits but public trust in nonprofits declined 7% between 2018 and 2021.[7]

That doesn't mean all nonprofits can assume community support. Abuse allegations against the organization, mishandling of funds, financial misconduct or a cyber breach that compromises personally identifiable information can cause devastating reputational damage.[8]

How nonprofits handle a crisis can determine if the organization can rebuild public and donor trust, and ultimately, if the organization can survive the fallout.

A robust crisis management plan can help nonprofits respond quickly if an incident occurs. Nearly 60% of nonprofit respondents to HUB's survey cited a loss of reputation as a significant risk to their organization.

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A crisis management plan must go beyond contacting board members for help and should involve a call to insurers and brokers first after an incident. Nonprofits may not realize their insurers have the resources to handle a range of situations and are equipped to assist with crisis management, legal counsel and digital forensics.

Notifying your broker and insurance carrier immediately after an incident may also accelerate the claims process and save the organization money.

7. The Charity Report, "Public trust in government and institutions further deteriorating," March 14, 2022.
8. Carleton Newsroom, "To clean up Hockey Canada, financial transparency is a must," November 8, 2022.

Make a plan

HUB nonprofit insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy to protect your bottom line, support the vitality of your workforce and build resiliency for 2024. Here are some initial considerations:

Develop a comprehensive risk plan.

Making ERM a key component of your organization's culture can help you identify exposures and place your nonprofit in the best light if an incident occurs. Make sure your broker understands how to strategically approach risk and identify gaps in the organization.

Create a personalized benefits strategy.

Stand out from the competition by offering benefits your employees want. Consider integrating employee benefits that align with the values of your employees and address diversity, equity and inclusion.

Rely on your carrier in a crisis.

An incident can be devastating to the reputation of a nonprofit. Take advantage of your carrier's expertise if an event occurs. They may be able to assist with such areas as legal counsel, crisis management or digital forensics.

Be transparent with your broker.

Consistent communication with your broker will help you identify and mitigate issues in advance of your next renewal. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal mix of coverage for your organization's needs.

Canada Commercial Rate Outlook

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Outlook to know what to expect in advance of your next renewal.

Coverage	2024 Canadian Commercial Rate Outlook	Insights
Commercial Automobile (5 or fewer vehicles)	↑ +5% to 10%	Some inflationary claims cost pressures remain. Given the higher frequency of claims and greater repair costs, rate filings are increasing in most provinces.
Commercial Automobile (6 or more vehicles)	↑ +1% to 5%	Underwriting performance remains profitable, but the cost of some claims has risen due to inflation. Supply chain delays have stretched timelines to resolve claims.
Liability	↑ +5% to 10%	Improved performance in general liability has helped insurers offset poor performance on property lines. Carrier appetite has broadened as insurers look to underwrite more liability to diversify their book.
Excess Liability	↑ +5% to 10%	Excess casualty remains fairly stable with some variability depending on exposure and attachment point. Given increases on primary coverage, some excess layers are increasing accordingly. Some classes of business with favorable loss history might see rate reductions.
Commercial Property	↑ +5% to 25% (varies by geography)	Commercial property rates will continue to increase, and in some locales, they could rise substantially as a result of increased reinsurance costs. Capacity will be challenging in CAT-prone zones. Increased claim frequency and severity, supply chain delays and unprecedented catastrophic activity — including wildfires across the country and a 1,000-year flood event in Nova Scotia — will also affect rate. As the cost to rebuild has increased, focus remains on insurance-to-value, which will affect overall premiums.
Residential/ Habitational Property	↑ +5% to 10%	Rising reinsurance rates, construction costs, and supply backlogs are pushing up rates and elongating claims timelines. Additional attention on insurance-to-value will also affect overall premiums given the increased reconstruction costs.
Catastrophic Perils	↑ +11% to 20%	Increases will be much higher in CAT-prone areas. Unprecedented wildfires across the country and the catastrophic flood in Nova Scotia were indicative of the increased severity and frequency of perils.

NOTE: ***Rate*** is typically defined as the amount of money necessary to cover losses and expenses, as well as provide an insurance company with a profit for a unit of exposure. ***Exposure*** refers to a business' or individual's susceptibility to various daily risks. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

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Environmental	Flat	Rates for Pollution Legal Liability (PLL) and Contractors' Pollution Liability (CPL) coverage are projected to remain flat. However, there is increasingly restrictive coverage for PLL coverage of emerging contaminants. Insureds should carefully review any new restrictions or exclusions in policies before renewals. Pollution policies combined with general liability are likely to see rate increases due to the GL exposure.
Directors & Officers: Private	↓ (-5%) to ↑ +5%	Insureds with no major changes can expect to see no rate increases at renewal or even slight decreases. Those with claims or significant exposure changes will see a modest premium increase. Note that financially challenged accounts will have a difficult time finding D&O insurance.
Directors & Officers: Public	↓ (-15%) to Flat	Capacity has increased for D&O coverage at publicly held companies, leading to rate decreases on both primary and excess layers, with excess layers seeing the greatest reductions. Organizations that trade on U.S. exchanges or have gone public in the past two years will see the greatest reductions.
Cyber Liability	↓ (-10%) to ↑ +10%	The cyber insurance market has shown signs of stabilizing through the third quarter of 2023. Some public sectors such as higher education, healthcare and municipalities still are problematic for underwriters, while some technology companies face additional scrutiny due to recent attacks on software and managed service providers. Insurers are focusing on information security controls when assessing risks and making pricing decisions.
Inland Marine	↑ + 5% to 10%	Frequency and severity of claims remain an issue, while supply chain issues and continued catastrophic events are leading to rate increases, similar to challenges faced for property coverage.
Marine	↑ + 5% to 10%	The commercial marine insurance market is hardening, leading to rate increases. As clients approach fourth-quarter renewals, insureds need to accurately assess risks, understand changing coverage terms, and consider alternative options. Active risk management remains crucial to keeping premium hikes to a minimum.

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Agribusiness	↑ +11% to 20%	Limited capacity will present challenges in agribusiness. Rates will continue to rise for insuring buildings and equipment. In addition, inflation will make it difficult for agribusinesses to secure adequate limits, particularly for enterprises with an adverse claims history. Premiums for food and beverage operations continue to rise. Risks remain difficult to place due to the increasing severity of losses worldwide. In farming, claims from forest fires have reduced capacity. However, liability rates remain stable, with underwriters offering ample capacity.
Cannabis	+5% to 10%	Expanding export opportunities and the loosening of global regulations have increased liability insurance options, with more competition entering the market. Property remains static with 5% rate increases continuing. However, rising inflation is elevating the reconstruction value of buildings by a minimum of 5%. With many buildings already underinsured, property insurance costs will further rise as building valuations increase. However, new entrants are expected in the property market, increasing capacity. D&O remains stable, but economic strain and highly leveraged balance sheets will prompt underwriters to closely scrutinize accounts.
Construction	↑ +1% to 5%	Rates are holding steady for most of the industry, though best-in-class risks may see slight rate reductions. Premiums are growing as a result of valuation adjustments due to inflation and gross receipts changes. Large value course of construction is seeing some upward rate pressure on higher value frame projects due to the number of carriers required to place those risks.

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Education	↑ +10% to 12%	On property coverage, rates are expected to rise 5% with inflationary increases of property values up 7%. Institutions that have not right-sized their property valuations will continue to see double-digit increases in attempts to close the gap on under-valuations. After several years of large rate increases, cyber rates are expected to stabilize, particularly for institutions that have improved their cybersecurity. Commercial general liability rates are expected to rise 5%, except for abuse coverage, which continues to be challenging. Underwriters are linking rates for abuse and molestation coverage to the risk management and mitigation policies, procedures and training protocols of policyholders. D&O rates will rise 5% on average, but institutions facing renewal after a three-year guaranteed rate could see much larger increases.
Entertainment	↑ +5%	Property and liability rates in the event space are expected to increase 5% to 10% in 2024. In film, policyholders with claim-free accounts may see flat renewal rates. D&O in the entertainment sector will likely increase 5% with cyber up about 15% on average. Abuse and molestation insurance remains challenging, with rates rising 25% or more due to reduced capacity.

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Coverage	2023 Rate Outlook	Insights
Financial Institutions	↓ Flat to rate reductions	For the most part, financial institutions will see an accommodating insurance market. Rates are likely to be flat for private company D&O insurance; for public companies, rates for D&O coverage will be flat in 2024 after premiums declined in 2023. General partnership liability coverage will decrease as much as 10%, as there are only a handful of carriers in this segment in Canada. Cybercrime insurance rates are flat for primary layers, especially for smaller companies. For excess layers, however, rates are falling 20% to 30%, or even more. Premiums for reps and warranties (R&W) insurance will experience no or moderate increases in 2024, due to an expected rebound in M&A. However, rates fell significantly in 2023, as increased competition for a smaller number of deals led to discounting.
Healthcare	↓ Rate reductions	For medical malpractice insurance, there has been an expansion of capacity and significant competition for new business; insurers are agreeing to steep discounts as a result. Those seeking healthcare D&O insurance will also see significant rate reductions, especially in high-risk markets. There are difficulties in property insurance in healthcare. Some underwriters may offer discounts through bundling property and liability coverage.
Hospitality	↑ +5% to 10%	Rates are improving for both property and liability across the country. However, hospitality businesses with property exposures to natural catastrophes such as wildfires may see greater rate increases due to the frequency and severity of these events in many provinces within the past year. Properties in the Maritimes may also see increased rates due to potential hurricane exposure.

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Coverage	2023 Rate Outlook	Insights
Nonprofit	↑ +7% to 20%	The insurance landscape is becoming more challenging. Small and medium enterprises in the nonprofit sector will see rate increases, particularly in D&O, cyber and abuse and molestation coverage. With limited capacity, insurers are enforcing more stringent underwriting guidelines, extending the time necessary to successfully secure a quote.
Real Estate	↓ (-5%) to ↑ +10%	Real estate insurance will see a mixed rate environment in 2024. Properties in high-catastrophe (CAT) risk zones will see little or no rate relief in 2024 and are likely to experience premium hikes. Rate reductions may be available for best-in-class properties with clean loss histories. However, the higher cost of rebuilding, along with greater property valuations, are likely to offset premium decreases.
Sports	↑ +5%	Depending on the age and construction of buildings, property in the sports industry is expected to rise 5% or more. Abuse and molestation coverage will continue to be challenging. Unlike the days when it was included in general liability pricing, abuse coverage will continue to be underwritten separately; the sports industry can expect to see limits reduced for such coverage in 2024.
Transportation	↓ Rate reductions for fleets +5% to 10% for IRCA	Increased competition in the transportation market has led to market softening across Canada, but poor underwriting results posted by one large insurer in the space could impact rates in the future. Additional capacity through Lloyd's is also making excess liability more available. Fleets: Historically, only best-in-class trucking companies enjoyed better terms and conditions, but the market conditions are now allowing second- and even third-tier companies tap into those benefits. IRCA: Renewals can expect to see 5% to 10% rate increases.

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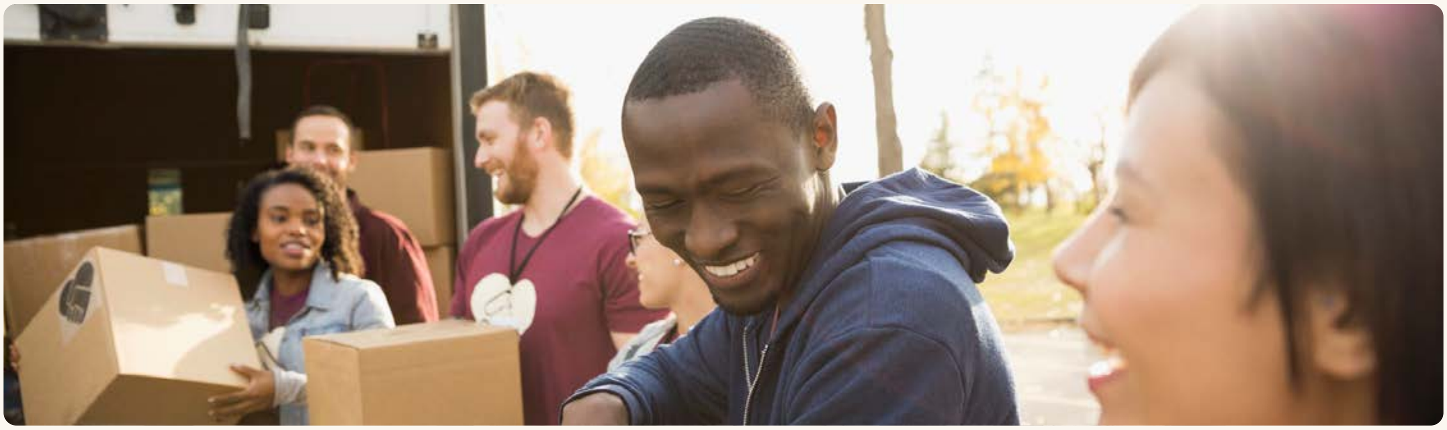

HUB Nonprofit

When you partner with HUB, you're at the centre of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB nonprofit advisor. We're here to help.

$487M

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18,400

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