

HUB 2023

Outlook.

Agribusiness



In an era of disruption, risk management will harvest success.



Risk & Insurance | Benefits & Retirement | Private Client

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Setting the Scene

Shortages and rising costs will frame risk.

Agribusiness must deal with risk perhaps more than any other industry. Soaring input costs, extreme weather, staff shortages and increasing cyber risks will threaten profitability, vitality and resiliency in 2023.

Food prices rose

9.7%

from August 2021 to 2022.

What to Expect in 2023

Farms and food manufacturers will need to manage costs while remaining flexible enough to take advantage of opportunities and market trends. Given the additional risks of catastrophic weather events and chronic labour shortages, a best-in-class risk management and insurance strategy — and nimble HR — will be key for agribusinesses to thrive in 2023.



Managing input costs and risk will drive profitability in 2023.



Russia's invasion of Ukraine in February 2022 and China's zero-COVID policy exacerbated global supply chain disruption. Sharp reductions in fertilizer, seed and fuel production have resulted in price spikes of inputs and higher product costs.

Food prices jumped nearly 10% from August 2021 to August 2022, including basic staples such as fruit, vegetables and meat.¹ A likely drop in the global wheat harvest due to the war in Ukraine — which produces 20% of the world's high-grade wheat and 7% of the global total — will inflame price hikes, stunting demand.²

Staying profitable in this environment demands flexibility. For example, several farmers in Ontario took advantage of weather and market conditions to double crop their land in late 2021, harvesting soybeans on acreage that had yielded winter wheat.³ Although double cropping isn't always viable, taking advantage of such opportunities are critical for agribusiness profitability.

Vertical integration and commodity futures to lock in prices are time-tested ways to help tame input costs and improve efficiency. But many threats to profitability in 2023 will be largely out of producers' control, requiring strong risk, insurance and financial strategies to remain profitable.

1. [Statistics Canada, "Rising prices are affecting the ability to meet day-to-day expenses for most Canadians,"](#) June 9, 2022.
2. [The Washington Post, "Ukraine's wheat harvest, which feeds the world, can't leave the country,"](#) April 7, 2022.
3. [Farmers Forum, "Farmers score double-crop in a year that could — soybeans followed winter wheat,"](#) November 30, 2021.



Investing in employees will help tame the labour shortage.

As workers have re-evaluated their priorities and goals in the wake of the COVID-19 pandemic, agribusiness, like many industries, has had difficulty in recruiting and retention.

Although the pandemic's direct impact on labour has largely subsided, the aftershocks remain, as the agribusiness labour shortage will reach 123,000 workers by 2029.⁴ Today, nearly half of food manufacturers are unable to fill needed positions,⁵ and worker shortages are likely to continue throughout 2023.

To reduce turnover and the number of workplace injuries, agribusinesses will need to emphasize worker training and onboarding.

Agribusinesses also are re-evaluating their compensation and benefits packages.⁶ It's important that companies reallocate dollars to the benefits that are most important to employees.

Leveraging data to create personalized benefits may sound like a distant possibility for most agribusinesses. But personalizing benefits leads to positive employee experiences — and a benefits strategy centred on delivering quality experiences helps meet employees' evolving needs and builds a workplace that attracts and retains workers.



4. Canadian Agricultural Resource Council, "[Agriculture business case competition engages post-secondary students on campuses across Canada](#)," November 25, 2021.
5. Canadian Agricultural Human Resource Council, "[CAHRC Province Dashboard: Prairies](#)," accessed October 8, 2022.
6. HUB International, "[Voluntary Benefits Help Counter Worker Shortages in Food and Beverage](#)," April 5, 2022.



Managing catastrophes, COVID, consolidation and control systems.

Severe weather is occurring with greater frequency and impact, and 2023 will continue that trend.



Climate change-related storms, heatwaves, hail and flooding remain a challenge for farmers and food manufacturers, which must anticipate and manage these risks to remain viable. Additional risks include possible business closures from new COVID-19 variants. Tightening credit markets are likely to strain an agribusiness' finances, which may lead to business closures and industry consolidation.

In addition, underwriters are inspecting industrial control systems before offering coverage. Without such controls set properly, food manufacturers can face substantial damage to the manufacturing line.

Given this environment in 2023, staying resilient is directly tied to strong risk management. The cost of crop insurance will increase, as premiums are directly related to commodity prices. Farmers need to determine the level of risk they're willing to tolerate in an era of more catastrophic weather events. For agribusinesses as a whole, rates will rise across the board, with heightened pressure on excess liability coverage, property and cyber liability coverage.



Protection will yield results against cybercrime and safety risks.

Cyber risks will continue to be a critical security concern. Both on the farm and in the factory, agribusiness has turned to automation to cope with labour shortages and improve quality.

However, this shift has increased exposure to cyber risks, as bad actors can potentially hijack manufacturing equipment, farm machinery or computer networks. Risks include reputational damage, the financial loss of a ransomware attack, and production downtime in the event of a manufacturing shutdown. Food safety also becomes an issue with cyberattacks.

Monitoring control systems, employee cybersecurity training, adoption of multi-factor password authentication and cyber insurance can help manage cyber risk.

Food recalls will remain a major risk for food manufacturers. In previous years, undeclared allergens were a major cause of recalls, while 2022 has brought an increasing number of listeria concerns.⁷

Assess and address your areas of greatest risk. Protect food and beverage systems from cyberattack, and be prepared for cyber coverage rate increases of 10% to 20% in 2023. Product recall insurance and product liability coverage can protect food manufacturers from costs related to product recalls and liabilities, which can run into the millions of dollars.



7. Government of Canada, "[Recall and safety concerns](#)," accessed October 8, 2022.



Make a plan

HUB agribusiness specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce, and build resiliency for 2023. Here are some initial considerations:



Protect employees.

Employees expect you to support their health, safety and wellbeing. Give them the ability to personalize their benefits without increasing costs, giving you a competitive advantage.



Emphasize onboarding and training.

With many employers hiring less-experienced workers, it's more important than ever to focus on onboarding and training to set the right expectations and avoid costly accidents and injuries.



Understand your loss trends.

Understand the root cause of your large losses and explain to carriers what you're doing to prevent future losses. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.



Close claims quickly at the lowest possible cost.

Claims that take months or years to resolve will affect your long-term loss experience. Ask your broker for a claims management specialist who can help close claims quickly and with the best possible outcome.



Be Prepared

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Canada.

On the next page is our outlook on insurance rates in Canada for 2023. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.



Rate Outlook — Canada

Coverage	2023 Canadian Rate Outlook	Insights
Automobile	↑ 5%	<p>Automobile rates in Canada will slightly increase. Fleets may expect to see more aggressive pricing by new entrants to the marketplace.</p> <p>Quebec policyholders may see more favourable rates and better terms.</p> <p>Rates for policyholders in provinces with public auto will remain mostly flat.</p>
Liability	↑ 5% to 10%	<p>Policyholders could see increases of up to 10% in general liability depending on class and loss experience. Companies with good loss experience may see rate reductions.</p> <p>An increasingly competitive medical malpractice marketplace has driven down rates. Policyholders are likely to see flat rates or small drops.</p>
STRATA/Condo	↑ 5% to 10%	<p>Property valuations are rising 7% to 10%, and although insurance rates remain relatively flat, the increasing valuations may lead to rate hikes of 5% or more to account for rising claims costs.</p> <p>Capacity has historically been limited, but more competition is entering the marketplace. However, this may be short lived with the market for catastrophe reinsurance hardening.</p> <p>Quebec policyholders will see rate increases of 5% to 10% as capacity remains limited.</p>
Umbrella & Excess Liability	↑ 5% or higher	<p>Rates will increase 5% or more depending on class and loss experience. Best-in-class policyholders will see flat renewals or slight rate upticks based on increased exposure.</p>
Property	↑ 10% or higher	<p>Best-in-class insureds will have more modest increases, with escalating competition for new business commercial property (Class A & B).</p> <p>Quebec insureds will see 5% increases but can expect better terms.</p> <p>Insurers are focused on insurance to value with rising inflation; clients will experience higher premiums due to an increase in building values.</p>
Directors & Officers	↑ 5% to 10%	<p>Rates will depend on the strength of an insured's financials and industry outlook. Clients that restructure placement may be able to secure premium reductions.</p> <p>Quebec insureds will see rates of 15% or higher due to legal defense cost payouts.</p> <p>D&O coverage will be challenging for healthcare and particularly long-term care. Insureds in those sectors can expect rate increases of 10% to 20%.</p>
Cyber Liability	↑ 10% or higher	<p>Rates will increase from 10% to 200% based on cyber controls, loss history and industry.</p> <p>Healthcare will see rate increases for cyber coverage of 200% to 300% as carriers reduce capacity.</p>
Environmental	↑ 5% to 10%	<p>Capacity restrictions for certain risks and increasing claim severity remain a challenge.</p>
Inland Marine	↑ 5% to 10%	<p>Rising accident frequency and severity will prompt continued rate increases in this sector.</p>

Industry Perspective Rate Outlook — Canada

Industry	2023 Rate Outlook	Insights
Agribusiness	↑ 5% to 10%	Regional mutual insurers are the primary providers in agribusiness. Livestock will see rates rise 10% to 15% at renewal due to decreased capacity and market appetite.
Cannabis	↑ Flat to 5%	<p>For the past four years, rates in this emerging market have been high primarily due to lack of capacity, but in 2023 further rate increases will be minimal.</p> <p>D&O and cyber will remain challenging, with limited capacity due to few carriers writing business in this industry. Although competition in the D&O market is increasing, expect rate increases of 10%, depending on the insured's financial health.</p> <p>Property and liability rates will rise 5% to 10% due to rising construction costs.</p>
Construction	↑ 5% to 10%	<p>Supply chain delays, labour shortages and rising inflation will continue to drive construction costs up for both commercial and residential projects. Rates will rise about 5% depending on risk, largely due to higher property valuations affecting premiums.</p> <p>The lack of skilled workers is likely to result in higher liability rates.</p>
Entertainment	↑ 5%	<p>The industry is facing reduced coverage, increased deductibles and limited coverage options, with rates rising 5% to 10% in 2023. However, rates are beginning to stabilize.</p> <p>In auto (touring), higher levels of claim frequency and severity have resulted in decreased carrier appetite.</p> <p>Larger venues may struggle to find sufficient coverage.</p>
Financial Institutions	↑ 5% to 10%	<p>Rates for general partnership liability coverage will increase 5% to 10%. Portfolio company private D&O renewals will likely have flat to 10% rate increases, although insureds that agree to increase retentions may see rate decreases. Financial institutions with significant long-term debt may see increases at renewals of 20% or higher.</p> <p>Cyber rates will continue their ascent and insureds can expect premium increases of 20% to 40%, although some institutions could see rates rise as much as 300%.</p>
Healthcare	↑ 10% to 20%	<p>Until we see the impact of increasing interest rates, inflation will drive up the cost of premiums. The trend toward adding components of private healthcare will continue to change the healthcare landscape in Ontario, and other provinces may follow.</p> <p>A softening market in senior care will keep property rates flat for that sector. However, inflation will continue to drive up building valuations, increasing costs.</p>
Hospitality	↑ 10% to 20%	<p>Rising building valuations — up 10% compared with the prior year — may continue.</p> <p>Protected property risks will see rates rise 5% while challenged properties can expect rate increases of 10% or greater. The double-digit rate increases in liability in recent years have waned, mostly due to increased risk management protocols by insureds.</p> <p>Capacity for liquor liability continues to be challenging.</p>

Industry Perspective Rate Outlook — Canada

Industry	2023 Rate Outlook	Insights
Nonprofit	↑ 10% to 20%	Supply chain delays, reduced government funding, labour shortages and a potential recession will challenge nonprofit organizations. The availability of liquor liability coverage for hosting private and public events remains limited. Rates for umbrella and cyber coverage are likely to increase in excess of 30%.
	↑ 5% to 10%	All insureds will face increased underwriting scrutiny on insurance to value. Premium costs are increasing due to rising construction costs and supply chain delays. With fewer carriers competing for business, some insureds will need to evaluate their total insurance budget and limits purchased. Best-in-class properties with sound business continuity plans will move to the top of the underwriting pile.
Real Estate	↑ Flat to +10%	Residential and Multifamily: Best-in-class residential realty will find increased capacity in the market and may obtain rate reductions, but underwriters remain disciplined in this industry. Overall premiums are up as insurance to value and reconstruction costs have increased.
	↓ Flat to -5% Best-in-class	Commercial real estate: More insurers have entered this space, and best-in-class-properties can expect rate reductions. Older properties, catastrophe-exposed properties and insureds with poor loss experience can expect high levels of underwriter scrutiny. Deductibles for flood and earthquake exposures will rise to limit carrier exposure. In Manitoba and Saskatchewan, rates for framed realty will rise 10% to 15%, with inflation potentially pushing premiums higher.
Sports	↑ 10% to 20%	Capacity remains limited in the industry. With few new entrants to the marketplace, rates will continue to rise.
Transportation	↑ 5% to 10%	The market is more stable than in the past few years, and best-in-class insureds will see better terms and conditions. However, insurer interest in the trucking segment remains limited across the provinces. Umbrella coverage will remain challenging, particularly for transportation companies with exposure in the U.S. Auto dealerships will continue to struggle for coverage, with rates rising 15% or more in 2023.

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

HUB Agribusiness

When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB agribusiness insurance specialist.

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