

HUB 2023

Outlook.

Education



**Learning from experience
will help institutions pass
the test on risk.**



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Setting the Scene

Facing financial and staffing challenges.

Public and private educational institutions across all levels face financial challenges from economic uncertainty, but a critical educator shortage remains the sector's top issue. Institutions also are suffering from deferred maintenance that could spell long-term challenges to infrastructure and fiscal stability.



1. CTV News "[“Disrespected and demoralized”: Survey shows 37% of Alberta teachers may leave in the next five years.](#)" January 27, 2022.

What to Expect in 2023

After more than two years of upheaval related to the COVID-19 pandemic, educational institutions will struggle to remain fully staffed and financially stable. But institutions can minimize those challenges with a fresh approach to risk management and benefits.



Inflation will put pressure on budgets.

Soaring inflation will continue to strain budgets at educational institutions. Inflation hit a 39-year high midway through 2022,² affecting everything from supplies and maintenance to insurance and teacher salaries.

The COVID-19 pandemic shifted enrolment between public and private schools, and each will need to contend with rising staff salaries due to inflation and the ongoing teacher shortage.

Higher interest rates and economic uncertainty also will hurt budgets, especially for private schools and institutions of higher learning with large amounts of debt. Economic conditions also will affect institutions that rely on endowment returns and charitable giving to meet budgets — and even more for institutions planning capital projects.



Many of these schools, colleges and universities will need to raise tuition and fees, as government money hasn't necessarily increased to keep up with inflation.

At the same time, Canadian colleges and universities are experiencing a decline in domestic enrolment and have been relying on international students to fill the gap in operating costs.³ While the pandemic limited the number of foreign students studying in Canada, indications are international enrolment is recovering.

Many of the elements affecting educational finances are beyond educators and administrators' control. However, institutions can improve risk management to reduce insurance costs and optimize insurance coverage.

2. CBC News, "Inflation rises again, to new 39-year high of 8.1%," July 20, 2022.

3. Higher Education Strategy Associates, *The State of Postsecondary Education in Canada 2022*, accessed November 10, 2022.



Solving education's biggest HR issue will require a new approach.

K-12 education is facing a nationwide teacher shortage, especially in Ontario, British Columbia and New Brunswick;⁴ unemployment among recent education graduates was 4% in Ontario during 2021, compared with 24% in 2016.⁵

Most elementary and high school teachers enter the field with high expectations, yet recent estimates suggest that nationwide, roughly one-third will leave the profession after five years, and higher in some provinces.⁶ Salaries have risen, but it's often burnout and disappointment with the job that cause turnover.

Given the difficulty of filling positions, educational institutions are rethinking benefits so they can holistically support the physical, emotional and financial wellbeing of their teachers and staff, both inside and outside of the classroom.

Personalized benefits are key. Educational institutions can use data analytics and other tools to identify individual employee needs and the benefits that can help meet those needs.

For instance, a young teacher with no dependents may not be as interested in a retirement plan as help in paying off student loans. Likewise, a teacher with a growing family may need help finding a mortgage or caring for aging parents.

Educational institutions can use data analytics and other tools to identify individual employee needs and the benefits that can help meet those needs.

As a result, personalized benefits can generate loyalty to their employers and a connection to their profession.

4. Education Corner, "[Are Teachers in Demand in Canada?](#)" August 15, 2022.
5. Ontario College of Teachers, [Transition to Teaching 2021: 20th annual survey of Ontario's early-career elementary and secondary teachers](#), accessed November 10, 2022.
6. CTV News, "['Disrespected and demoralized': Survey shows 37% of Alberta teachers may leave in the next five years](#)," January 27, 2022.

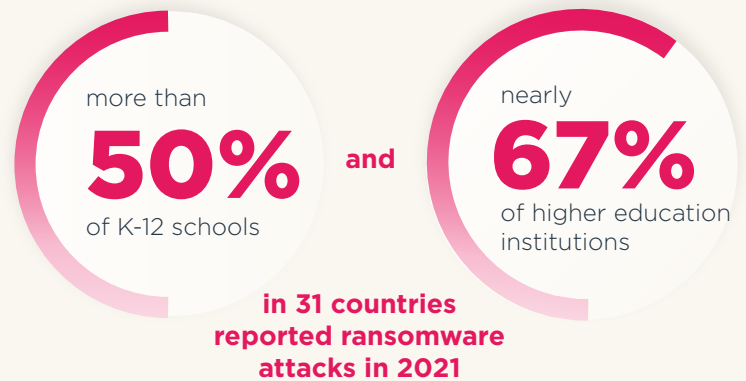


Confronting student abuse insurance claims and cybercrime.

Cybercrime and student abuse pose an existential threat to educational institutions' long-term viability as operating entities, making risk management and insurance essential tools for ensuring resiliency.

There are indications that incidents of physical and sexual abuse against students are on the rise.⁷ Although claims and lawsuits in Canada are not as common as in the United States, it's expected that educational institutions will grapple with the issue throughout 2023.

Risk management is crucial to preventing and mitigating abuse. Schools need mandatory child protection training for every staff member, as well as background and reference checks. They also should have a reporting and communication plan in place to effectively handle allegations and limit reputational harm.



And unfortunately, cyberattacks against educational institutions will continue and likely rise. The amount of personal information that schools maintain on students and employees — and the number of entry points bad actors can access — also remains a growing concern. More than half of K-12 schools and nearly two-thirds of higher education institutions in 31 countries reported ransomware attacks in 2021.⁸

As schools increasingly rely on technology, proper cybersecurity risk management has become essential for obtaining cyber insurance, which is expected to rise 20% or more for all institutions.

7. Canadian Centre for Child Protection, "[Child Sexual Abuse and Victimization by K-12 School Personnel in Canada](#)," accessed November 8, 2022.

8. Sophos, [The State of Ransomware in Education 2022](#), July 2022.



A hidden crisis in plain sight.

For years, there has been a “quiet epidemic” of deferred maintenance in education due to poor long-term planning; extensive school closures during the COVID-19 pandemic only made the problem worse. Increasing construction costs and budget constraints haven’t helped matters.

Across the country, K-12 schools face significant shortfalls to keep school facilities functioning.⁹ And in British Columbia, the cost of repairing schools is nearly half that of replacing the buildings entirely.

Facing budget constraints, many school boards do not set aside adequate reserves for desperately needed facility upgrades or maintenance projects. And for universities and private schools, lower charitable giving and underperforming endowments have further strained schools’ bottom lines.

With deferred maintenance piling up, institutions and school districts will ultimately pay higher construction costs in the future. They’ll also have to pay more for property insurance on eroding facilities.



School administrations can avert the crisis through implementing long-term capital planning for facilities. After conducting a facilities audit and developing an engineering report, they must determine an annual contribution to a facilities maintenance reserve (ideally 3% of replacement value) and determine investment strategies to ensure that reserves keep up with inflation.

Devising a strong risk management and insurance strategy is crucial — without such strategies, it’s unlikely any school will be able to avoid exorbitant maintenance expenses in the future.

9. Canadian Centre for Policy Alternatives, “[Catching Up Together: A Plan for Ontario's Schools](#),” February 2022.
Global News, “[Most Saskatchewan schools need \\$1.3 billion in repairs, government document reveals](#),” March 4, 2020.
Edmonton Journal, “[Edmonton school repair backlog to hit more than \\$1B by 2026](#),” February 22, 2016.
10. Fraser Valley Current, “[Funding insufficient to save BC's 'deteriorating' schools, province warned repeatedly](#),” March 30, 2022.



Make a plan

HUB education insurance 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:



It's all about your people.

To attract educators and guard against burnout, schools need to do a better job of supporting employee health, safety and wellbeing. Give them the ability to personalize their benefits — including their retirement plans — and improve retention.



Assess everything.

Talk to your broker to determine the right balance of risk and insurance coverage — but before that, it's essential to work with your broker on a top-to-bottom risk assessment.



Determine your maintenance needs.

Determine what plant and equipment need repairs or replacement first, and then take immediate action. Ensure your maintenance reserve is fully funded. Be able to show carriers that buildings and equipment are in top shape for 2023.



Let the sunshine in.

Let your broker know what changes you've made so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options. Also, review the retirement plan with your plan administrator to help increase its value and keep fees low.



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 Education

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