

HUB 2023

Outlook.

Hospitality



Hosting problematic guests — labour shortages and increasing risk.



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Setting the Scene

On the road again? There's trouble in paradise.

As the public's fear from the COVID-19 pandemic receded, pent-up desire for travel and leisure boosted revenue across various sectors of the hospitality industry. But as high inflation affects the cost of goods, services and labour, profitability and stability remain elusive.



CTV News, "[Labour shortage: Food, hotel industries continue to be hardest hit by lack of workers.](#)" June 23, 2022.

What to Expect in 2023

Investments in technology and a pivot in business practices kept the hospitality industry afloat through tough times, but lingering challenges remain: economic uncertainty, ongoing labour shortages, higher costs on everything from supplies to insurance and an increase in the minimum wage.¹ Hospitality employers that engage in risk management and focus on recruitment and retention will be poised to thrive in 2023.

1. Retail Council of Canada, [Minimum Wage By Province](#), accessed Oct. 28, 2022.



Rising costs may make profits elusive.

Hospitality industry profit margins will shrink in 2023 as supply chain shortages, inflation and increasing wages for workers continue to put pressure on them.

Hotel and lodging industry revenue has rebounded from the COVID-19 pandemic, with predictions that the hotel market will end 2022 with revenue per available room (RevPAR) down just 8% compared with pre-pandemic rates. Experts predict that more than half of urban markets will see RevPAR above \$100 in 2023, surpassing 2019 levels a full two years ahead of earlier expectations.²

But with half of Canadian restaurateurs operating in the red or just breaking even, the industry will continue to feel inflationary pressure on food, beverages and labour.³ Full-service restaurants will likely increase prices from 8% to 15% in the coming year, and many will change suppliers, reduce the number of menu items and even shrink portion sizes to address rising costs.⁴



The labour shortage also continues to strain the hospitality sector, and the pressure is compounded by legislation to increase the minimum wage across the country, with new requirements bringing wages above \$15 in Ontario, British Columbia and Alberta.⁵

Rising insurance costs for lodging and food and beverage also will add to the industry's profit burdens. Capacity for liquor liability coverage is limited and will continue to present a challenge for bars and restaurants. Training workers on how to identify alcohol-related risks and maintaining risk management protocols will be paramount to reduce liability.

2. CBRE, "[CBRE Outlook: Canadian Hotels Will Return to Pre-Pandemic Revenues in 2023 - Two Years Ahead of Forecast](#)," September 15, 2022.
3. Global News, "[Half of Canadian restaurants operating at a loss or 'just breaking even'](#)," September 15, 2022.
4. CP24, "[Restaurants usher in higher prices, smaller portion sizes as costs rise, report says](#)," September 16, 2022.
5. CTV News, "[Labour shortage: Food, hotel industries continue to be the hardest hit by lack of workers](#)," June 23, 2022.



Attract workers with a broader, more personalized benefits menu.

Staffing will remain a top concern in hospitality: Job vacancies in both the hotel and the restaurant sectors rose 12% in the second quarter of 2022.⁶ Roughly two-thirds of hospitality businesses expect to face labour shortages, the highest of any sector in Canada.⁷

Hospitality businesses will need to take creative measures to recruit and retain workers, such as offering improved benefits, wellness plans and more schedule flexibility.

In addition, hotels and restaurants are prioritizing employee safety with improved risk management measures and training. This safety emphasis includes monitoring hours to ensure staff is not overworked, which puts them at greater risk of costly accidents and mistakes.

Employers also will want to consider personalized benefits to show workers they are valued. By using data analytics and tools that help identify what matters to workers, hospitality employers can offer benefits tailored to meet employees' individual needs. An enticing benefits package not only attracts new employees but also engenders greater loyalty among staff.

Hospitality businesses will need to take creative measures to recruit and retain workers, such as offering improved benefits, wellness plans and more schedule flexibility.

6. Statistics Canada, "[Job vacancies, second quarter 2022](#)," September 20, 2022.

7. CTV News, "[Labour shortage: Food, hotel industries continue to be hardest hit by lack of workers](#)," June 23, 2022.



Security remains a peril in paradise.

The hospitality industry's long-term success depends on its ability to adapt to new trends and technologies and mitigate threats to business continuity, such as natural catastrophes and criminal activity, especially cybercrime.

Expanding technology-based services — like online delivery and remote guest check-in that became popular during the pandemic — have given hackers greater access. The hospitality industry is the third most targeted by cyber criminals, largely because of the amount of personal and financial data resorts and hotels collect.

Most major hotel and restaurant franchises now require franchisees to have some level of cyber insurance, but obtaining coverage is difficult and expensive. Underwriters will look for hospitality businesses with proven cybersecurity protections, such as cybersecurity audits, multifactor authentication (MFA) and employee training.



The hospitality property insurance market also will remain challenging in 2023, particularly in high-hazard regions, forcing hospitality businesses to improve building resiliency and prioritize ongoing maintenance. With rates expected to rise at least 10% for properties in catastrophe-exposed areas, hotels and restaurants need to show underwriters they are mitigating risk. Those with a proven risk management strategy that includes a post-disaster plan for recovery will secure better coverage terms and conditions.

8. [Financial Times, "Hotels in hackers' sights as technology replaces personal touch,"](#) March 27, 2022.



Embrace sustainability to grow client base.

Consumer pressure on the hospitality industry to implement more environmentally friendly business practices is growing. In fact, Canadians are among the most eco-conscious travellers in the world.⁹

From reducing waste by eliminating single-use items like toiletries or plastic food containers, to conserving energy with more efficient lightbulbs and thermostats, hospitality businesses that want to appeal to environmentally conscious travellers would be wise to increase their sustainability efforts in 2023. The cost of doing so can be significant, particularly for the hotel industry, but the potential payoff is huge — 65% of Canadian travellers say they would choose to stay at a sustainable accommodation.¹⁰

Hospitality businesses should work with insurance specialists to ensure they are adequately covered for any sustainable or “green” upgrades made to their business or property.



9. DH news, “[Canadians among the world’s most eco-conscious travellers: study](#),” September 23, 2022.
10. Jim Byers Travel, “[Canadians Increasingly Looking for Sustainable Travel](#), Booking.com Study Says,” April 16, 2022.



Make a plan

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



Take care of employees.

Supporting employees' health, safety and wellbeing can be a significant differentiator in today's employment market. Offering personalized benefits plans will give you a competitive advantage. Key differentiators include retirement benefits, mental health benefits, flex time, employee value proposition and a clear career ladder.



Emphasize safety.

An injured worker leaves a hole in the workforce that may be hard to fill. Make safety a tenet of the organization. Train and onboard employees so they understand expectations and commit to maintaining a safe work environment.



Seek alternatives.

Identify the most significant insurance costs and seek alternatives. Evaluate property and liability policies to see if your mix of coverage, self-insured retentions and deductibles is adequate. A HUB hospitality insurance specialist can help you find the right limits and best alternatives for your organization.



Be transparent with your broker.

Let your broker know what changes you've made to the business, 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.



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 Hospitality

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 hospitality insurance specialist.

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