

HUB 2023

Outlook.

Entertainment & Sports



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Setting the Scene

The industry will continue to perform despite challenges.

After two years of COVID-19 pandemic losses, the entertainment and sports industries are on the mend. But inflation and a faltering economy present new risks to profitability.

70%

of live entertainment companies reported a shortage of skilled workers.

PropertyCasualty360, "[Live music stages a comeback but new risks challenge the industry](#)," August 22, 2022.

What to Expect in 2023

Pent-up demand has restored profitability in the entertainment and sports sectors, but inflation could reduce demand for shows and events as costs rise, damaging the bottom line in 2023. Worker shortages, an uptick in cybercrime and the potential for violence at venues will continue to challenge the industry. Entertainment companies lacking solid risk management plans will leave themselves exposed.



Renewed interest in live events will write the script for financial performance.

An uneven recovery with large venues bouncing back and smaller venues struggling is likely to continue in 2023, putting pressure on overall industry profits.

Box office movie revenues reached \$136.4 million in the second quarter of 2022, the strongest quarter since before the pandemic.¹ Industry observers expect 2023 revenues to recover further.

Big events are undoubtedly back: The Canadian National Exhibition (CNE) reported that attendance was up 10% over 2019, even before its final weekend.² Attendance at the Calgary Stampede nearly reached 2019 levels, with 1.2 million attendees over the 10-day event.³

In sports, NHL game attendance helped boost 2021-2022 season revenues to a record high.⁴ However, 2019 attendance rates remain elusive for the NBA and MLB, particularly for underperforming teams.

Small- and medium-sized venues are also struggling to attract audiences. With rising inflation reducing discretionary income and increasing ticket prices, the entertainment and sports industry will need to work harder to attract attendees to live events.



1. Newswire, "[Cineplex Q2 2022 Reports Positive Net Income and Strongest Results Since Pandemic Began](#)," August 11, 2022.
2. Toronto Sun, "[Early figures shows CNE attendance up 10% from 2019](#)," September 2, 2022.
3. CBC, "['Back in the saddle': 2022 Calgary Stampede winds down with near pre-pandemic numbers](#)," July 17, 2022.
4. The Hockey News, "[Stanley Cup State of the Union: What You Need to Know](#)," June 15, 2022.
5. New York Post, "[NBA teams hike ticket prices as attendance drops, internal data shows](#)," May 10, 2022.

Profitability

Increasing worker pay and rising costs for gas to transport performers, athletes and equipment will force the industry to adopt money-saving solutions to keep prices affordable in 2023.

After two years of disruption and repeated lockdowns, fewer insurance carriers will write policies in this sector, making coverage more expensive. Capacity is particularly limited for touring coverage, where carriers have suffered the most losses.

With the profitability pressure these challenges present, a solid risk management plan is imperative. Entertainment and sports companies need to shine a spotlight on their exposures and ensure they have an insurance strategy to succeed.



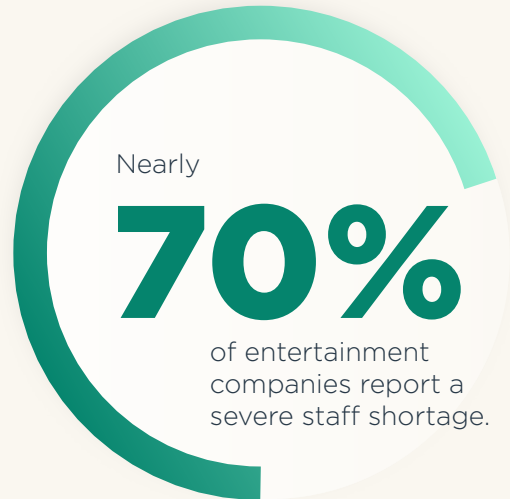
Boost your benefits game to recruit and retain talent.

Like every other industry, the entertainment and sports sectors are struggling to find workers, making a focus on recruitment and retention paramount.

Nearly 70% of entertainment companies report a severe staff shortage, with the dearth of skilled workers most acute (including engineers, technicians and height technicians)⁶. Many of these workers moved on to other industries not severely impacted by lockdowns.

Entertainment and sports companies need to approach this shortage with an eye toward improved pay and benefits. Some employers are enticing new workers with signing bonuses, while others offer same-day pay to part-time workers.

This sharpened focus on what matters to employees has prompted employers to offer benefits and expand existing offerings beyond the basics. For instance, mental health and wellbeing initiatives are important for people working on a music or theatre tour, with its high rate of burnout.



Finding benefits that meet the individual needs of employees will differentiate organizations. Personalized benefits — such as retirement, mental health, flex time and career development — help meet individual employee needs and aid in recruiting and retention when entertainment and sports companies are desperate for help.

6. Insurance Business Magazine Canada, "[Live events boom anticipated, with rise of new risks](#)," August 29, 2022.



Take steps to identify off-script risk.

After significant losses from the COVID-19 pandemic, entertainment and sports companies know fiscal challenges await if they fail to anticipate and manage ongoing and emerging risks.

While gun violence at entertainment and sports venues in Canada is far less prevalent than in the U.S., active shooter incidents have increased more than 80% in the country since 2009.⁷ Incidents, such as unauthorized fireworks that caused multiple injuries to concertgoers in Toronto in July⁸ and a September riot at a Vancouver music festival,⁹ have put organizers on their guard to prevent future occurrences and avoid potential litigation.

General liability insurance rates will rise a minimum of 5% to 10% or more in 2023, with fewer carriers offering coverage and underwriters meticulously scrutinizing their policyholders' security and risk management protocols. Directors and officers insurance rates also will climb at least 5% to 10% depending on the insured's financial strength, though entertainment and sports companies in Quebec can expect to see rates jump 15% or more.

Obtaining sufficient insurance to cover those risks will remain challenging. Carriers are raising rates and tightening policy language for event cancellation coverage, with many now excluding a performer's non-appearance from the policy.

Insurers expect productions and event managers to have up-to-date emergency response plans, covering crowd surges and evacuation planning.

Insurers expect productions and event managers to have up-to-date emergency response plans, covering crowd surges and evacuation planning. And underwriters insuring against abuse will require a thorough system for investigating complaints and taking remedial actions.

7. Reuters, "[Canada launches \\$190 mln fund to tackle gun violence.](#)" March 16, 2022.
8. CBC, "[Multiple injuries after fireworks set off during Dua Lipa concert in Toronto, police say.](#)" July 28, 2022.
9. CBC, "[Riot erupts at Vancouver music festival after headliner Lil Baby cancels show.](#)" September 19, 2022.



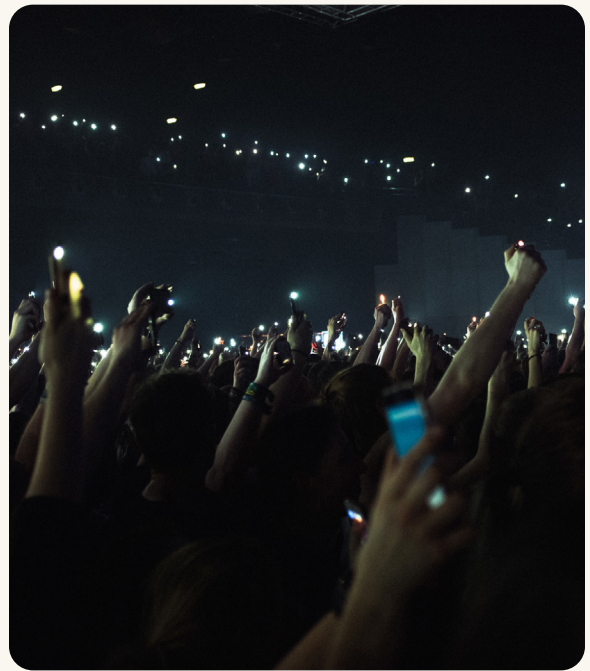
Move cyber risk to centre stage.

Cybercrimes have escalated sharply since the pandemic, and the entertainment sector is particularly vulnerable as the business shifts to streaming, digital delivery and ticketing apps. The fast pace of negotiations and digital transactions create further opportunities for bad actors.

The entertainment and sports spaces are recognizing the risk, with the demand for cyber insurance higher than ever. In 2021, nearly 80% of entertainment firms reported a ransomware incident, making it one of the most targeted industries.¹⁰

Cyber insurance rates also will rise at least 10% in 2023, following the same trajectory of the two previous years. Industry players need to prove to carriers they are a best-in-class risk. Safety measures such as multifactor authentication, firewalls and monitoring services are essential, and training staff on how to identify scams is crucial.

Underwriters will evaluate all cyber security measures and price policies based on the type of information the company will access and retain.



10. Sophos, "[The State of Ransomware 2022](#)," accessed October 30, 2022.



Make a plan

HUB entertainment and sports 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 a better care of employees.

To counter high rates of worker burnout, entertainment companies need to do more to support employee health, safety and wellbeing. Take a personalized approach — offering options such as retirement benefits, mental health services, flex time and career development — that benefits workers and recruitment and retention efforts.



Evaluate your security.

Don't take shortcuts when it comes to training security staff on crowd management, evacuation and de-escalation strategies. Your broker can advise on how to best present your security risk management program to insurance carriers to obtain the best available coverage and rates.



Assume more risk.

With rising insurance rates, entertainment and sports companies may need to consider new strategies to reduce risk through higher deductibles and increased retentions. Ask your HUB broker about other options such as captive solutions, self-insurance and risk retention groups.



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 Entertainment & Sports

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 entertainment & sports insurance specialist.

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