

HUB 2023

# Outlook.

# Transportation



**Driver training,  
technology key to  
curbing inflation crunch.**



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## Setting the Scene

# Driver shortages and inflation will test transportation industry.

Rising prices are pressuring trucking fleets, but investing in driver recruitment and retention, technology and cyber defence can reduce risks and position carriers to maintain profitability and resilience.

The cost of transporting goods by truck increased by

# 20.7%

in March 2022, compared with a year earlier.<sup>1</sup>

1. Statistics Canada, "[A-freight of rising shipping costs.](#)" August 15, 2022.

## What to Expect in 2023

Low unemployment and a significant number of drivers nearing retirement will continue the driver shortage. Rising prices for gas, vehicles and replacement parts will add to the challenges facing fleets. However, technological advances will help improve logistics, recruitment and retention and keep drivers safer on the road.



# Rising costs, supply delays will impact profits.

Nearly every line item on a fleet carrier's budget increased in 2022, straining profitability. The price of a new vehicle escalated 24% and used vehicle prices rose 50%, making it extremely difficult to upgrade a fleet.<sup>2</sup> Premiums may grow too: Ontario approved insurance rate increases for 2023.<sup>3</sup>

Gas prices more than doubled between June 2021 and June 2022.<sup>4</sup> Though carriers felt a reprieve in the fall of 2022, the ongoing war between Russia and Ukraine makes it unlikely that energy prices will fall back to 2021 levels soon.<sup>5</sup>

In addition, supply chain delays and the high cost of replacement parts present additional challenges for fleets, delaying equipment repair. And the inflationary environment and impact of Hurricane Ian on the reinsurance market are likely to drive up insurance rates to offset the increased cost of risk.



However, fleets with best-in-class risk management programs and excellent driving records backed up by data will be able to secure favourable renewal terms with modest rate increases of 1% to 5%. But transportation firms with below-average driving scores and high-incident frequency will face pricing challenges, with rates rising at least 5% to 10% and increased deductibles.

2. CanTruck, "[Canadian Used Truck Prices Soar 50%](#)," April 22, 2022.
3. CityNews, "[Consumers could see higher car insurance premiums. Here's how to lower yours.](#)" September 20, 2022.
4. Toronto Star, "[This time last year, Ontario average gas price was \\$1.30 a litre.](#)" June 8, 2022.
5. Yahoo Finance, "[Don't expect gas prices to go much lower.](#)" September 16, 2022.



## Investing in drivers' health can aid recruitment.

The industry-wide driver shortage will remain a significant issue in 2023, with nearly all trucking companies citing the lack of qualified drivers as the biggest threat to the industry.<sup>6</sup> More than 23,000 driver vacancies were reported in January 2022 — a figure projected to more than double by 2024.<sup>7</sup>

The dearth of drivers has been further compounded by the rampant underground trucking economy colloquially known as Driver Inc. This underground scheme, which allegedly engages in widespread labour abuse and tax fraud, is having a widespread impact on the sector and siphoning drivers from legitimate trucking firms.<sup>8</sup>

To combat the problem, provinces are funding education and training programs for new drivers and cracking down on trucking corporations that claim zero employees to evade safety and labour rules.<sup>9</sup> Trucking trade groups are unveiling social media campaigns to encourage people to enter the industry and lobbying Parliament to increase access to the temporary foreign worker program for those interested in being truckers.<sup>10</sup>

Fleet carriers also are increasing their attractiveness by offering customized benefits. By leveraging data analytics to identify what matters most to drivers, carriers can tailor benefits plans to meet individual driver's needs. These may include enhanced health

and dental benefits, retirement programs, travel vouchers, personal development allowances or healthy habits counselling.<sup>11</sup>

With more than a quarter of long-haul drivers reporting struggles with depression<sup>12</sup> and a significant number abusing drugs, benefits that support driver health and wellness can reduce the risk of accidents and lawsuits associated with driver drug use.

6. Canadian Trucking Alliance, "[CTA to House Committee: Driver Shortage One of the Biggest Threats to Economic Recovery](#)," October 5, 2022.
7. Trucking HR Canada, "[Special Report: Vacancies in Trucking and Logistics](#)," January 2022.
8. Canadian Trucking Alliance, "[New THRC Data Supports CTA's Warning Over Labour Shortage and Supply Chain Fragility](#)," September 28, 2022.
9. Canadian Trucking Alliance, "[Out of The Shadows: The Rise of 'Zero-Employee' Trucking](#)," August 11, 2022.
10. Transportation Security International, "[The Many Challenges Facing Canada's Trucking Industry](#)," June 19, 2022.
11. Truck News, "[Carriers recognizing importance of driver health and wellness](#)," May 3, 2021.
12. Canadian HR Reporter, "[Trucking association releasing mental health guide](#)," January 24, 2020.



## Drive technology and training to reduce accidents.

The cost of operating a truck is higher today than at any time in history, with total costs rising nearly 13% in North America. Maintenance and repair costs increased 18% in 2021 and are showing no signs of abating.<sup>13</sup> These costs, along with the large number of drivers on the verge of retirement and inexperienced drivers entering the workforce, will likely increase insurance premiums as well.

The surge in “nuclear verdicts” — jury verdicts of \$10 million or more<sup>14</sup> — against trucking companies in the U.S. is adding to the industry’s burdens. Although these verdicts are less common north of the border, many Canadian transport companies operate in the U.S. and may be at risk.

However, the rise of in-cab telematics and driver and rear-facing cameras may aid driver training and help reduce claims. With technology able to record and almost instantly deliver accident information, claims adjusters can investigate incidents quickly, helping protect drivers when they are not at fault, prevent claims from going to litigation and speed up adjudication and settlement.



Technology also can enhance a fleet’s overall risk profile by creating an opportunity for continuing driver education and retraining. Regular reviews of driver telematic data can help correct improper behaviours and reduce the likelihood of accidents. And sharing the data with insurers can help transportation companies obtain the best coverage and rates.

13. Canadian Trucking Alliance, “[Trucking Ops Costs Reach Record Highs: ATRI](#),” August 19, 2022.

14. Supply Chain News “[Supply Chain News: Impact of Rising Insurance Costs for Truckers](#),” February 22, 2022.



# Use tech to cut costs but maintain cyber defences.

For several years, fleet operators have embraced technology to improve safety, efficiency and vehicle performance, while demonstrating a good risk profile to insurers.

Technology is helping cut costs. For instance, route management software and diagnostic monitoring equipment are optimizing delivery planning and reducing repair costs. Electronic control units and logging devices can improve vehicle security and record driver behaviour that enables insurers to reward safe drivers in insurance pricing.

But with innovation comes risk. Ransomware attacks increased 80% in all sectors in Canada, but the number of attacks targeting transportation rose more than 150% in 2021.<sup>15</sup> Cybercriminals who breach digital in-cab systems can access fleet data and shut down a vehicle, endangering the driver and others. In fact, a bad actor can hijack logistics, monitoring systems, telematics and more through a single vehicle's access point.



Fleet carriers can mitigate these risks by implementing a minimum of multifactor authentication (MFA) and endpoint detection and response. Updating cyber security plans, reducing access to sensitive information and training drivers on how to recognize cyber scams are essential defences against cybercrime.

15. Truck News, "[Cyberattacks on the Rise in trucking, Mainville.](#)" December 6, 2021.



# Make a plan

HUB transportation 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 your drivers.**

Fleet carriers competing for qualified drivers can set themselves apart from competitors by adding customized benefits that support the health, safety and wellbeing of their workers. The big differentiators are retirement benefits, mental health benefits, flex time and employee value proposition.



## **Assume more risk.**

Taking a higher deductible is just one way to reduce premiums and improve experience rating by reducing claims frequency. Ask your HUB broker about other options such as captive solutions, self-insurance and risk retention groups.



## **Emphasize safety.**

Make safety a tenet of the organization. Train and onboard drivers to understand expectations and embrace telematics as a retraining tool. Take advantage of technology platforms to glean how your fleet's driving behaviour compares with peers to help guide continuing driver education.



## **Be transparent with your broker.**

Let your broker know what changes you've made to the business, so there are no surprises at renewal time. Share telematics with your broker, who can leverage your score to lower insurance costs. 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  |
|--|----------------------------|---|
| <b>Automobile</b>                      | ↑ 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>  |
| <b>Liability</b>                       | ↑ 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>  |
| <b>STRATA/Condo</b>                    | ↑ 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> |
| <b>Umbrella &amp; Excess Liability</b> | ↑ 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>  |
| <b>Property</b>                        | ↑ 10% or higher            | <p>Best-in-class insureds will have more modest increases, with escalating competition for new business commercial property (Class A &amp; 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>  |
| <b>Directors &amp; Officers</b>        | ↑ 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&amp;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>   |
| <b>Cyber Liability</b>                 | ↑ 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>   |
| <b>Environmental</b>                   | ↑ 5% to 10%                | <p>Capacity restrictions for certain risks and increasing claim severity remain a challenge.</p>  |
| <b>Inland Marine</b>                   | ↑ 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  |
|-------------------------------|-------------------|---|
| <b>Agribusiness</b>           | ↑ 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.  |
| <b>Cannabis</b>               | ↑ 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&amp;O and cyber will remain challenging, with limited capacity due to few carriers writing business in this industry. Although competition in the D&amp;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>   |
| <b>Construction</b>           | ↑ 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>  |
| <b>Entertainment</b>          | ↑ 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>   |
| <b>Financial Institutions</b> | ↑ 5% to 10%       | <p>Rates for general partnership liability coverage will increase 5% to 10%. Portfolio company private D&amp;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> |
| <b>Healthcare</b>             | ↑ 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>  |
| <b>Hospitality</b>            | ↑ 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   |
|-----------------------|--------------------------------|--|
| <b>Nonprofit</b>      | ↑ 10% to 20%                   | <p>Supply chain delays, reduced government funding, labour shortages and a potential recession will challenge nonprofit organizations.</p> <p>The availability of liquor liability coverage for hosting private and public events remains limited.</p> <p>Rates for umbrella and cyber coverage are likely to increase in excess of 30%.</p>   |
|                       | ↑ 5% to 10%                    | <p>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.</p>  |
| <b>Real Estate</b>    | ↑ Flat to +10%                 | <p><b>Residential and Multifamily:</b> 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.</p>  |
|                       | ↓ Flat to -5%<br>Best-in-class | <p><b>Commercial real estate:</b> More insurers have entered this space, and best-in-class-properties can expect rate reductions.</p> <p>Older properties, catastrophe-exposed properties and insureds with poor loss experience can expect high levels of underwriter scrutiny.</p> <p>Deductibles for flood and earthquake exposures will rise to limit carrier exposure.</p> <p>In Manitoba and Saskatchewan, rates for framed realty will rise 10% to 15%, with inflation potentially pushing premiums higher.</p> |
| <b>Sports</b>         | ↑ 10% to 20%                   | <p>Capacity remains limited in the industry. With few new entrants to the marketplace, rates will continue to rise.</p>  |
| <b>Transportation</b> | ↑ 5% to 10%                    | <p>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.</p> <p>Umbrella coverage will remain challenging, particularly for transportation companies with exposure in the U.S.</p> <p>Auto dealerships will continue to struggle for coverage, with rates rising 15% or more in 2023.</p>   |

**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 Transportation

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 transportation insurance specialist.

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