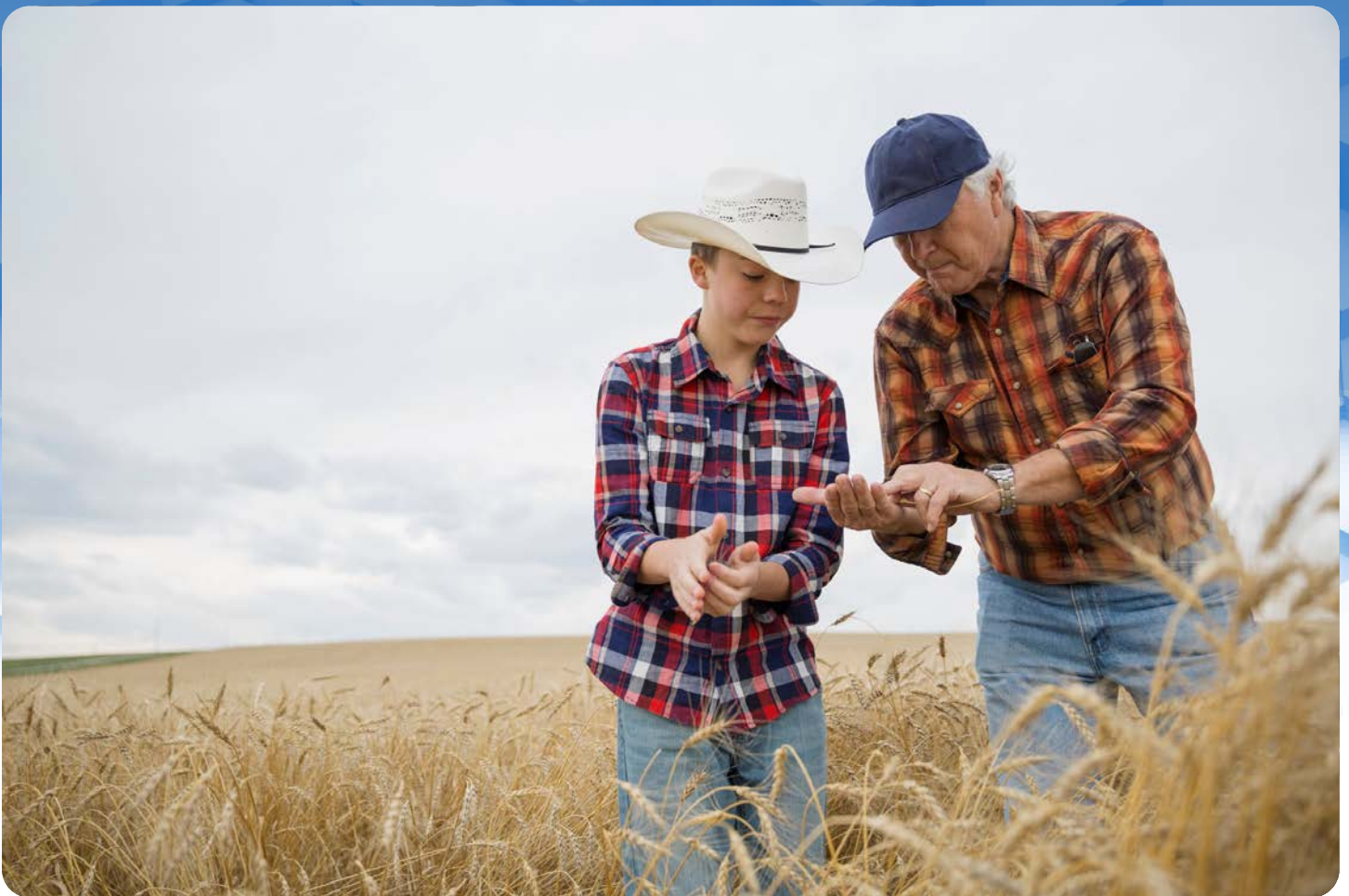


Agribusiness

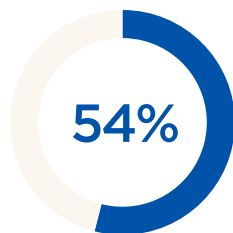
Agribusinesses will need to manage costs, improve risk management and embrace personalized benefits to harvest a successful 2024.





What to Expect in 2024

Rising costs for labour, farm inputs and insurance will continue to affect profits for farms, food production, and forestry and wood manufacturing. Continued labour shortages will force agribusinesses to get creative with benefits, focus on training and increase automation. Active risk management and adequate insurance will be essential in 2024.



Amount of agribusinesses identifying energy prices as a threat to profits in 2024¹

1. Results taken from HUB's Outlook Executive Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Higher input costs and insurance premiums will pressure profits in 2024.

The cost-related pressures that have squeezed profits the past three years will not abate in 2024.

Rising input costs, high interest rates, a tight labour market and damage from extreme weather events have hurt the bottom line of farms and food processors alike, not to mention forestry and wood manufacturers.

Input costs have slammed agribusiness the past three years, as the COVID-19 pandemic nearly broke the supply chain and the war in Ukraine reduced fertilizer and wheat production. The cost of raising crops and caring for livestock will reach \$23.1 billion in 2023, an all-time high and an increase of nearly 6% from the previous year.² Elevated input prices are expected to continue through 2024, affecting all agribusinesses, not just farms.

Insurance costs are also cutting into profits. Stock throughput insurance, which covers a company's goods through the supply chain and is essential for food producers and warehouses, is difficult to obtain.

Crop insurance has grown prohibitively expensive. Some underwriters have pulled out of the market altogether, with capacity particularly limited in areas such as Saskatchewan, which is suffering from prolonged drought.³ Business interruption insurance policies are often unaffordable for many agribusinesses.



The cost and diminishing availability of insurance are likely reasons only 15% of Canadian agribusiness respondents to HUB International's 2024 Outlook Executive Survey have sufficient insurance to protect their profit margin.

It may be difficult for agribusinesses to lower input costs, fight the effects of high interest rates or combat weather events. However, working with a broker to lower insurance costs through alternative risk management vehicles and shouldering additional risk will help improve profits in 2024.

2. Farm Credit Canada, "[2023 Outlook for the crop input market.](#)" February 7, 2023.

3. Progressive Farmer, "[Saskatchewan Announces Drought Aid for Producers; Alberta Says Aid is Coming.](#)" August 8, 2023.

Automation won't solve the labour shortage by itself — personalized benefits will be key.

All sectors of agribusiness, from farm to table or forest to finished product, will continue to feel the effects of a nationwide labour shortage in 2024.^{4,5}

More than 40% of Canadian farmers are expected to retire in the next decade.⁶ Farmers still struggle to hire short-term labourers to pick crops and long-term workers to operate and maintain equipment. Warehouse workers and shippers can't find enough employees to keep operations running smoothly.

Labour shortages and even walkouts have beset food and beverage makers, while higher wages in other industries needing manual labour have siphoned workers from forestry and wood production.

Clearly, the industry is aware of the problem: About half of Canadian agribusiness respondents to HUB's Outlook Executive Survey list talent recruitment as instrumental to the vitality of its workforce; a similar number cite training and employee "upskilling" as equally important.

While automation has long been touted as a means to help solve the labour shortage, particularly in food and beverage where much of the assembly lines are automated, it is not a panacea. Some companies are reverting to human labour because of the issues with automation, including costs, product defects and lower overall production compared with human workers.

All sectors of agribusiness have been searching for creative solutions through benefits. The industry will see the greatest boost to the vitality of their workforce through personalized benefits informed by data analytics.

Personalized benefits that speak to individuals will deliver **quality employee experiences (QEX)**, which will engender increased employee loyalty and attract workers to an industry in desperate need of them.



4. Cision, "[Bridging the Gap Aims to Better Understand Labour Shortages in the Forestry Sector](#)," February 2, 2023.
5. Food and Beverage Canada, "[Food and Beverage Manufacturing Emergency Foreign Worker Program](#)," accessed October 18, 2023.
6. Financial Post, "[More than 40% of farm operators to retire by 2033, leaving shortage behind: report](#)," April 10, 2023.

Agribusiness will leverage creative solutions to stay resilient.

All agribusiness sectors will struggle to manage risk in 2024, but emerging insurance solutions will help ensure their resiliency.

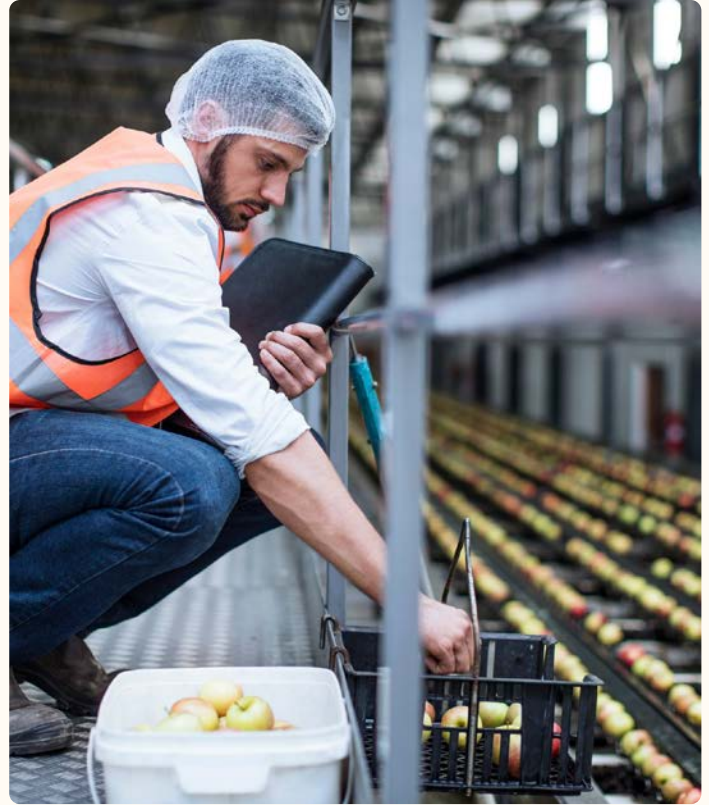
Weather-related threats have increased in frequency and severity. Droughts, record heat, massive wildfires, windstorms and flooding have diminished farm yields, hampering food processors' ability to procure raw materials and making logging and wood production a perilous proposition.

With agribusinesses' reliance on automation, malware and ransomware attacks are more serious and costly than ever. Beyond the immediate financial toll, there is reputational damage as well.

Add supply chain disruptions, global conflict and labour shortages to the mix, and it equals difficult realities for agribusinesses on insurance renewal.

Agribusiness insurance rates are expected to rise across the board in 2024. Crop insurance premiums are likely increase as much as 10%. Stock throughput coverage will climb as high as 15% for perishable goods.

Umbrella and excess liability insurance rates will likely increase 10% to 20%, with lower limits. Commercial auto premiums for fleets of five or more vehicles will jump as much as 15%, in part due to difficulty in hiring qualified drivers.



High property rates will burden food and beverage manufacturers, who will see premiums rise as much as 30%; forestry and wood products operations will see similar increases. Property rate increases for crop input retailers and wholesalers, as well as grain terminals and handling facilities, will see far less pressure, topping out at 10%.

Increased insurance premiums will require agribusinesses to implement novel, specialized insurance solutions to provide a backstop against risk. For instance, parametric insurance policies pay out after a qualified weather event, even if an insured does not sustain damage.

Consulting with their insurance broker will help agribusinesses determine the best solutions, whether it's modifying limits in existing policies or turning to a layered insurance program, captives or self-insurance.

Thoughtful risk management will help agribusiness combat new and familiar dangers in 2024.

In an industry full of unknowns, agribusinesses have a clear picture of how to prepare for 2024.

In addition to severe weather, cybercrime and supply chain woes, agribusinesses will need to consider worker safety, product recall risk and manufacturing plant maintenance in their 2024 risk management strategies.

Ensuring compliance to a risk management plan won't be easy: Only 42% of Canadian agribusiness respondents to HUB's Outlook Executive Survey align risk mitigation strategies with organizational goals, 23% maintain an effective facilities risk mitigation plan and just 15% say they foster a culture of risk awareness, preparedness and mitigation.

But filling these gaps in preparedness is essential to long-term stability. For instance, while weather dangers cannot be avoided, farms can reduce the effects of drought through improved resource management, and wood mills can improve safety measures to protect employees and property from wildfire risk. Agribusinesses can lean on catastrophe (CAT) modeling to develop risk management and business continuity plans.



Cybercrime has emerged as a threat, with disproportionate weight on food and beverage production. A data breach at Maple Leaf Foods in November 2022 briefly stopped production and cost the company \$23 million.⁷ Agribusinesses can prepare for cyber threats with multifactor authentication, endpoint detection and response and education to shore up employee defences.

Food recalls remain an ever-present risk, particularly for allergens: Of the nearly 150 recalls in the first three quarters of 2023, nearly half were due to contamination from allergens or ingredient mislabelling.⁸ Strong product oversight, including periodic audits, will help minimize food recalls, most of which occur due to employee error.

7. Food Processing, "[Maple Leaf Foods' Late-2022 Cyber Incident Cost 'at Least' \\$23 Million](#)," July 19, 2023.

8. Government of Canada, "[Recalls and Safety Alerts](#)," accessed October 25, 2023.

Make a plan

HUB agribusiness industry insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy to protect your bottom line, support the vitality of your workforce and build resiliency for 2024. Here are some initial considerations:



- ✔ **Thoughtfully lean into risk.**
Risks in agribusiness have increased — and so have insurance premiums. Consider taking a higher deductible on some coverages, which reduces premiums and improves experience rating, or think about alternative risk transfer vehicles to lower costs. Ask your broker what kind of insurance strategy meets your risk profile and budget.
- ✔ **Increase engagement through benefits.**
Employees expect you to support their health, safety and wellbeing. A benefits strategy based on personalization and fostering quality employee experiences (QEX) will boost engagement, recruiting and retention and lower risk.
- ✔ **Re-emphasize safety.**
In an era of labour shortages, stringent regulation and greater litigation, keeping employees safe and healthy is essential. Train and onboard employees to understand expectations and commit to maintaining a safe work environment.
- ✔ **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.
- ✔ **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.

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Canada Commercial Rate Outlook

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Outlook to know what to expect in advance of your next renewal.

Coverage	2024 Canadian Commercial Rate Outlook	Insights
Commercial Automobile (5 or fewer vehicles)	↑ +5% to 10%	Some inflationary claims cost pressures remain. Given the higher frequency of claims and greater repair costs, rate filings are increasing in most provinces.
Commercial Automobile (6 or more vehicles)	↑ +1% to 5%	Underwriting performance remains profitable, but the cost of some claims has risen due to inflation. Supply chain delays have stretched timelines to resolve claims.
Liability	↑ +5% to 10%	Improved performance in general liability has helped insurers offset poor performance on property lines. Carrier appetite has broadened as insurers look to underwrite more liability to diversify their book.
Excess Liability	↑ +5% to 10%	Excess casualty remains fairly stable with some variability depending on exposure and attachment point. Given increases on primary coverage, some excess layers are increasing accordingly. Some classes of business with favorable loss history might see rate reductions.
Commercial Property	↑ +5% to 25% (varies by geography)	Commercial property rates will continue to increase, and in some locales, they could rise substantially as a result of increased reinsurance costs. Capacity will be challenging in CAT-prone zones. Increased claim frequency and severity, supply chain delays and unprecedented catastrophic activity — including wildfires across the country and a 1,000-year flood event in Nova Scotia — will also affect rate. As the cost to rebuild has increased, focus remains on insurance-to-value, which will affect overall premiums.
Residential/Habitational Property	↑ +5% to 10%	Rising reinsurance rates, construction costs, and supply backlogs are pushing up rates and elongating claims timelines. Additional attention on insurance-to-value will also affect overall premiums given the increased reconstruction costs.
Catastrophic Perils	↑ +11% to 20%	Increases will be much higher in CAT-prone areas. Unprecedented wildfires across the country and the catastrophic flood in Nova Scotia were indicative of the increased severity and frequency of perils.

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Environmental	Flat	Rates for Pollution Legal Liability (PLL) and Contractors' Pollution Liability (CPL) coverage are projected to remain flat. However, there is increasingly restrictive coverage for PLL coverage of emerging contaminants. Insureds should carefully review any new restrictions or exclusions in policies before renewals. Pollution policies combined with general liability are likely to see rate increases due to the GL exposure.
Directors & Officers: Private	↓ (-5%) to ↑ +5%	Insureds with no major changes can expect to see no rate increases at renewal or even slight decreases. Those with claims or significant exposure changes will see a modest premium increase. Note that financially challenged accounts will have a difficult time finding D&O insurance.
Directors & Officers: Public	↓ (-15%) to Flat	Capacity has increased for D&O coverage at publicly held companies, leading to rate decreases on both primary and excess layers, with excess layers seeing the greatest reductions. Organizations that trade on U.S. exchanges or have gone public in the past two years will see the greatest reductions.
Cyber Liability	↓ (-10%) to ↑ +10%	The cyber insurance market has shown signs of stabilizing through the third quarter of 2023. Some public sectors such as higher education, healthcare and municipalities still are problematic for underwriters, while some technology companies face additional scrutiny due to recent attacks on software and managed service providers. Insurers are focusing on information security controls when assessing risks and making pricing decisions.
Inland Marine	↑ + 5% to 10%	Frequency and severity of claims remain an issue, while supply chain issues and continued catastrophic events are leading to rate increases, similar to challenges faced for property coverage.
Marine	↑ + 5% to 10%	The commercial marine insurance market is hardening, leading to rate increases. As clients approach fourth-quarter renewals, insureds need to accurately assess risks, understand changing coverage terms, and consider alternative options. Active risk management remains crucial to keeping premium hikes to a minimum.

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Agribusiness	↑ +11% to 20%	<p>Limited capacity will present challenges in agribusiness. Rates will continue to rise for insuring buildings and equipment. In addition, inflation will make it difficult for agribusinesses to secure adequate limits, particularly for enterprises with an adverse claims history.</p> <p>Premiums for food and beverage operations continue to rise. Risks remain difficult to place due to the increasing severity of losses worldwide.</p> <p>In farming, claims from forest fires have reduced capacity. However, liability rates remain stable, with underwriters offering ample capacity.</p>
Cannabis	+5% to 10%	<p>Expanding export opportunities and the loosening of global regulations have increased liability insurance options, with more competition entering the market.</p> <p>Property remains static with 5% rate increases continuing. However, rising inflation is elevating the reconstruction value of buildings by a minimum of 5%. With many buildings already underinsured, property insurance costs will further rise as building valuations increase. However, new entrants are expected in the property market, increasing capacity.</p> <p>D&O remains stable, but economic strain and highly leveraged balance sheets will prompt underwriters to closely scrutinize accounts.</p>
Construction	↑ +1% to 5%	<p>Rates are holding steady for most of the industry, though best-in-class risks may see slight rate reductions.</p> <p>Premiums are growing as a result of valuation adjustments due to inflation and gross receipts changes.</p> <p>Large value course of construction is seeing some upward rate pressure on higher value frame projects due to the number of carriers required to place those risks.</p>

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Coverage	2023 Rate Outlook	Insights
Education	↑ +10% to 12%	<p>On property coverage, rates are expected to rise 5% with inflationary increases of property values up 7%.</p> <p>Institutions that have not right-sized their property valuations will continue to see double-digit increases in attempts to close the gap on under-valuations.</p> <p>After several years of large rate increases, cyber rates are expected to stabilize, particularly for institutions that have improved their cybersecurity.</p> <p>Commercial general liability rates are expected to rise 5%, except for abuse coverage, which continues to be challenging. Underwriters are linking rates for abuse and molestation coverage to the risk management and mitigation policies, procedures and training protocols of policyholders.</p> <p>D&O rates will rise 5% on average, but institutions facing renewal after a three-year guaranteed rate could see much larger increases.</p>
Entertainment	↑ +5%	<p>Property and liability rates in the event space are expected to increase 5% to 10% in 2024.</p> <p>In film, policyholders with claim-free accounts may see flat renewal rates.</p> <p>D&O in the entertainment sector will likely increase 5% with cyber up about 15% on average.</p> <p>Abuse and molestation insurance remains challenging, with rates rising 25% or more due to reduced capacity.</p>

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Coverage	2023 Rate Outlook	Insights
Financial Institutions	↓ Flat to rate reductions	<p>For the most part, financial institutions will see an accommodating insurance market. Rates are likely to be flat for private company D&O insurance; for public companies, rates for D&O coverage will be flat in 2024 after premiums declined in 2023.</p> <p>General partnership liability coverage will decrease as much as 10%, as there are only a handful of carriers in this segment in Canada.</p> <p>Cybercrime insurance rates are flat for primary layers, especially for smaller companies. For excess layers, however, rates are falling 20% to 30%, or even more.</p> <p>Premiums for reps and warranties (R&W) insurance will experience no or moderate increases in 2024, due to an expected rebound in M&A. However, rates fell significantly in 2023, as increased competition for a smaller number of deals led to discounting.</p>
Healthcare	↓ Rate reductions	<p>For medical malpractice insurance, there has been an expansion of capacity and significant competition for new business; insurers are agreeing to steep discounts as a result.</p> <p>Those seeking healthcare D&O insurance will also see significant rate reductions, especially in high-risk markets.</p> <p>There are difficulties in property insurance in healthcare. Some underwriters may offer discounts through bundling property and liability coverage.</p>
Hospitality	↑ +5% to 10%	<p>Rates are improving for both property and liability across the country. However, hospitality businesses with property exposures to natural catastrophes such as wildfires may see greater rate increases due to the frequency and severity of these events in many provinces within the past year.</p> <p>Properties in the Maritimes may also see increased rates due to potential hurricane exposure.</p>

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Coverage	2023 Rate Outlook	Insights
Nonprofit	↑ +7% to 20%	<p>The insurance landscape is becoming more challenging.</p> <p>Small and medium enterprises in the nonprofit sector will see rate increases, particularly in D&O, cyber and abuse and molestation coverage. With limited capacity, insurers are enforcing more stringent underwriting guidelines, extending the time necessary to successfully secure a quote.</p>
Real Estate	↓ (-5%) to ↑ +10%	<p>Real estate insurance will see a mixed rate environment in 2024.</p> <p>Properties in high-catastrophe (CAT) risk zones will see little or no rate relief in 2024 and are likely to experience premium hikes.</p> <p>Rate reductions may be available for best-in-class properties with clean loss histories. However, the higher cost of rebuilding, along with greater property valuations, are likely to offset premium decreases.</p>
Sports	↑ +5%	<p>Depending on the age and construction of buildings, property in the sports industry is expected to rise 5% or more.</p> <p>Abuse and molestation coverage will continue to be challenging. Unlike the days when it was included in general liability pricing, abuse coverage will continue to be underwritten separately; the sports industry can expect to see limits reduced for such coverage in 2024.</p>
Transportation	↓ Rate reductions for fleets +5% to 10% for IRCA	<p>Increased competition in the transportation market has led to market softening across Canada, but poor underwriting results posted by one large insurer in the space could impact rates in the future.</p> <p>Additional capacity through Lloyd's is also making excess liability more available.</p> <p>Fleets: Historically, only best-in-class trucking companies enjoyed better terms and conditions, but the market conditions are now allowing second- and even third-tier companies tap into those benefits.</p> <p>IRCA: Renewals can expect to see 5% to 10% rate increases.</p>

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HUB Agribusiness

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