

 Outlook.

# Education

Knowledge is power:  
Understanding and reducing your risks.

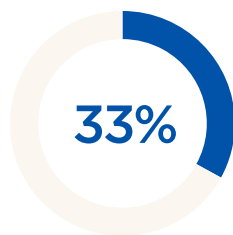


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



# What to Expect in 2024

Financial challenges will continue to pressure budgets, making it difficult for educational institutions to attract and retain educators and protect against risks, such as declining enrolment trends, cybersecurity, student mental health and safety. Damage to brand credibility can be detrimental to any educational institution, making crisis response critical to any risk management strategy. Institutions that invest in proactively managing exposures will move to the head of the class.



**Increased expenditures due to rising inflation and supply chain issues were cited as the biggest threat to financial stability by two-thirds of Canadian educational institution leaders.**

HUB International 2024 Outlook Executive Survey.

# Creating a syllabus of risk management success.

Budgetary concerns will continue to challenge educational institutions: Declining enrolment at the post-secondary level, elevated overhead costs, and lower returns on endowments will strain finances. However, increased provincial funding for primary and secondary education and an uptick in headcount among independent K-12 schools<sup>1</sup> offer reasons for optimism in 2024.

Enrolment numbers for higher education continue to drop, though the rate of decline has moderated. Market volatility is affecting returns on endowments, and inflation is increasing the costs associated with maintaining school properties — an issue that came to light several years ago but has not disappeared.

And the upward pressure on salaries — which comprise a significant portion of educational institutions' expenditures — is adding tension to the collective bargaining process in unionized environments and the bottom line.

Nearly two-thirds of Canadian education respondents to the HUB International 2024 Outlook Executive Survey listed increased expenditures as the most significant threat to their institution's financial stability. As a result, many are looking for ways to cut costs, including insurance spending. However, reducing coverages could leave them vulnerable and fiscally responsible for devastating losses like cyber breaches, property damage or misconduct claims.

Educational institutions can implement measures to reduce these risks — and potentially their insurance premiums. For example, increasing the frequency of staff cyber training and engaging a consultant to conduct periodic system penetration testing can both improve cybersecurity and make the organization a better risk to insurers.



A broker who specializes in the education space can provide specific risk management resources and offer strategies to improve insurability and reduce coverage costs.

1. Fraser Institute, "[Where Our Students are Educated: Measuring Student Enrolment in Canada, 2022](#)," April 26, 2023.
2. Statistics Canada, "[Canadian postsecondary enrollments and graduates, 2020/2021](#)," November 22, 2022.
3. Maclean's, "[Deferred maintenance: Universities can't keep up with expensive upkeep and repairs](#)," December 3, 2020.
4. 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.

# Build a strong academic team through personalized benefits.

A mass exodus of staff over the last few years has created fierce competition for talent across all education sectors, with ongoing educator shortages in nearly every province.<sup>5</sup> More than 75% of education respondents to HUB's 2024 Outlook Executive Survey said they were moderately focused on attracting and retaining talent.

With current budget challenges burdening educational institutions, increasing salaries to attract talent is not always realistic. However, forward-thinking schools will differentiate themselves through developing a comprehensive benefits strategy that includes employee wellbeing resources and personalized benefits.



Personalized benefits based on data analytics will deliver **quality employee experiences (QEX)** that improve recruitment and retention. A tailored benefits strategy will better meet employees' needs, improve wellbeing and strengthen the organization's culture – and is cost-effective for the organization.

32%



of educational institution respondents offer a benefits program customized to the unique personas of their employees.

Currently, only 32% of educational institution respondents offer a benefits program customized to the unique personas of their employees, and just 44% are currently offering lifestyle and alternative insurance options, according to survey respondents.

## Case study:

One of HUB's education clients analyzed its employee benefits data to obtain a better picture of what mattered most to the workforce. They learned that employees valued pension options that addressed climate change, and they wanted support for infertility. The client was able to increase employee satisfaction significantly without incurring additional costs.

5. Global News, "Canada's teachers say ongoing shortage creating 'crisis.' What's behind it?" September 5, 2023.

## Focus on risk education to reduce insurance costs.



In today's challenging insurance marketplace, educational institutions are taking a more pragmatic approach to risk and making increasingly strategic insurance decisions.

Roughly two-thirds of Canadian education respondents to HUB's survey cited physical abuse claims and the impact of technology among the biggest risks to resiliency.

Over the past decade, claims for primary general liability and educators' legal liability have risen, as have lawsuits against school boards stemming from the misconduct of faculty and staff. In 2020, the Ontario Court of Appeals found a school board vicariously liable for a sexual assault of a student by a teacher. Another school board in Ontario is facing a \$2.8 million lawsuit for a similar abuse allegation.<sup>6</sup>

Such abuse claims not only take a financial toll on an institution — they can also seriously damage a school's reputation and ability to carry out its academic mission. Underwriters are increasingly demanding schools demonstrate that they have comprehensive and mandatory abuse and molestation training for all employees — from the senior leaders to support staff — as well as thorough abuse investigation plans and robust screening policies for workers and volunteers.

Institutions such as boarding schools may only be able to procure half of the abuse and molestation coverage they need to protect their endowment in the traditional market. With insurers increasingly adding exclusions to policies that create coverage gaps, more schools are banding together to form captives. A captive allows educational institutions to gain access to greater protection in exchange for taking on some of the risk. Schools pre-fund their expected losses, but also share in any profits gained when actual losses beat expectations.

In addition, more educational institutions are taking a strategic approach to securing insurance, leveraging analytical data to view coverage levels against key risks to reduce their insurance spend. One HUB client, a university, found savings by moving to a captive insurance model. By leveraging this structure, the university anticipates long-term reductions in the cost of risk transfer.

Minimizing risk and keeping premiums in check also requires education, awareness and crisis management response planning. Educational institutions should discuss with their broker how to embed risk management in their financial plan — including endowment design and management — to achieve the organization's long-term goals and build resiliency.

6. [The London Free Press, "Vicarious liability, teacher misconduct and the legal risks facing school boards,"](#) January 22, 2023.

## Change the lesson plan to manage shifting exposures.

Evolving risks will continue to be problematic for educational institutions. Technological advancements, economic instability and the increasingly litigious environment are changing the risk profile of educational institutions.


About half of Canadian education respondents to HUB's survey said they felt prepared to address cybersecurity risks, but nearly 45% said they were at least moderately concerned about the impact technology could have to their institution's resiliency. About one-quarter felt comfortable with the use of artificial intelligence (AI).

Regardless of their level of preparation, cyberattacks continue to proliferate. Bad actors are quickly becoming adept in their use of AI software and perceive educational institutions as soft targets with multiple points of entry and a range of personal data to be exploited.

Educational institutions experienced an average of

**2,314**

cyberattacks every week in 2022.



Educational institutions experienced an average of 2,314 cyberattacks every week in 2022 — a 43% increase from the prior year.<sup>7</sup> In addition, schools must also develop a plan to handle new technology, such as AI's potential impact on pedagogical integrity and future graduates' job opportunities.



Protecting endowments is an additional concern for educational institutions, with 29% of respondents citing asset allocation and environmental, social and governance (ESG) considerations as a moderate-to-high risk to maintaining their endowments.

With such a wide variety of threats to resiliency, educational institutions should ensure they have adequate cybersecurity protocols and insurance coverage in place, develop and follow concussion protocols for student-athletes, diversify their investments and consider ESG priorities to protect their endowment.

An insurance broker that specializes in the education sector can help advise institutions on coverage gaps in policies, identify additional exposures and help determine the right coverage and risk management resources to address emerging risks.

7. CTV News, "Cyberattacks increased 20 per cent in Canada last year: IT security company," January 9, 2023.

# Make a plan

HUB education 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:



## **Develop a comprehensive risk plan.**

Making enterprise risk management (ERM) a key component of your institution's culture can help you identify exposures and place your organization in the best position to respond if an incident occurs. Make sure your broker understands how to strategically approach risk and identify gaps in your educational institution coverage.



## **Create a personalized benefits strategy.**

Employees expect you to support their health, safety and wellbeing. Schools with a benefits strategy based on personalization and fostering **quality employee experiences (QEX)** will boost engagement, recruitment and retention, and lower risk.



## **Rely on your insurer in a crisis.**

An incident can be devastating to an educational institution's reputation. Take advantage of your insurer's expertise if an event occurs. They may be able to assist with such areas as legal counsel, crisis management or digital forensics.



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

Consistent communication with your broker will help you identify and mitigate issues in advance of your next renewal and position your institution in the best light. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal mix of coverage for your educational institution's needs.

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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
<b>Commercial Automobile (5 or fewer vehicles)</b>	↑ +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.
<b>Commercial Automobile (6 or more vehicles)</b>	↑ +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.
<b>Liability</b>	↑ +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.
<b>Excess Liability</b>	↑ +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.
<b>Commercial Property</b>	↑ +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.
<b>Residential/Habitational Property</b>	↑ +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.
<b>Catastrophic Perils</b>	↑ +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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<b>Environmental</b>	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.
<b>Directors &amp; Officers: Private</b>	↓ (-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.
<b>Directors &amp; Officers: Public</b>	↓ (-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.
<b>Cyber Liability</b>	↓ (-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.
<b>Inland Marine</b>	↑ + 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.
<b>Marine</b>	↑ + 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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<b>Agribusiness</b>	↑ +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>
<b>Cannabis</b>	+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&amp;O remains stable, but economic strain and highly leveraged balance sheets will prompt underwriters to closely scrutinize accounts.</p>
<b>Construction</b>	↑ +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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<b>Education</b>	↑ +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&amp;O rates will rise 5% on average, but institutions facing renewal after a three-year guaranteed rate could see much larger increases.</p>
<b>Entertainment</b>	↑ +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&amp;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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<b>Financial Institutions</b>	↓ 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&amp;O insurance; for public companies, rates for D&amp;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&amp;W) insurance will experience no or moderate increases in 2024, due to an expected rebound in M&amp;A. However, rates fell significantly in 2023, as increased competition for a smaller number of deals led to discounting.</p>
<b>Healthcare</b>	↓ 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&amp;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>
<b>Hospitality</b>	↑ +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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<b>Nonprofit</b>	↑ +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&amp;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>
<b>Real Estate</b>	↓ (-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>
<b>Sports</b>	↑ +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>
<b>Transportation</b>	↓ 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 Education

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