

 **Outlook.**

Healthcare

In a rapidly changing healthcare environment, providers look for new ways to find stability.

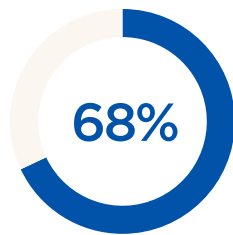


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



What to Expect in 2024

Difficulties hurting Canadian healthcare show little sign of abating: escalating cost pressures, a chronic labour shortage and greater risks to property, reputation and professional status. But it's not all grim. Healthcare organizations that provide forward-thinking benefits and implement effective risk management will find opportunities to thrive.



Amount of Canadian healthcare industry executives who view continued cost increases as a threat to profits in 2024¹

1. Results 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.

Healthcare will continue its long and difficult fiscal recovery.

It is well-known that hospitals and healthcare providers bore the brunt of the COVID-19 pandemic.

With costs rising and the deferment of elective surgeries, hospitals are struggling in spite of the fact that Canada spends among the most per capita of all the Organization for Economic Cooperation and Development (OECD) countries.²

In fact, increased expenditures are a top concern for 68% of Canadian healthcare respondents to the HUB International 2024 Outlook Executive Survey. Higher labour costs are driving expenditures, as is the cost of routine maintenance due to higher supply and equipment costs.

By 2028, the country will be short

44,000

physicians, with family practitioners accounting for nearly

75%

of the shortage.



Elevated interest rates also are squeezing margins, as the cost of borrowing affects capital projects like building new facilities or remodeling existing ones and purchasing advanced medical tech. For instance, a new cancer hospital decreased its bed capacity 38% due to a 29% jump in construction costs.³ While this happened in the U.S., the issue stretches across borders.

However, issues for Canadian healthcare go beyond expenses. Wait times for non-emergency care remain problematic.⁴ And by 2028, the country will be short 44,000 physicians, with family practitioners accounting for nearly three-fourths of the shortage.⁵

Despite the billions of dollars the federal government has promised to revitalize provincial healthcare, 51% of Canadians believe the money will make only a “marginal” difference.⁶ At the same time, private health clinics are seeing an increase in patients who want more immediate care.⁷

Canadian healthcare organizations can improve their financial viability by re-evaluating their insurance programs to save on costs, while exploring new opportunities to generate revenue.

2. Canadian Institute for Health Information, “[National health expenditure trends, 2022 – Snapshot](#),” November 3, 2022.
3. Becker’s Hospital Review, “[3 healthcare capital projects affected by inflationary pressures](#),” February 17, 2023.
4. National Post, “[Why Canada’s hospital capacity was so easily overwhelmed by the COVID pandemic](#),” January 17, 2022.
5. RBC, “[Canada needs more doctors—and fast](#),” November 23, 2022.
6. Angus Reid, “[After a ‘decade of decline’ in health care, Canadians not convinced that money is enough to solve the crisis](#),” August 17, 2023.
7. CTV News, “[Privatized health clinics see increase in patients fed up with wait times in public system](#),” September 7, 2023.

Benefits strategy — not AI — will have the biggest potential to help fill staff shortages in 2024.

The healthcare industry is facing a shortfall of nearly 120,000 nurses by 2030⁸ and 44,000 physicians by 2028.⁹ Meanwhile, half of Canadians either don't have a family doctor or can't get a timely appointment with their physician.¹⁰

In part, healthcare workers are leaving the field because of respect. In fact, 41% of nurses leaving the profession said they were overworked. This is coupled with wages remaining static in the face of rising inflation.¹¹

There's also the matter of safety in employee recruiting and retention. Nearly two-thirds of healthcare workers have experienced physical violence in the workplace,¹² and fears of safety have driven healthcare workers into other professions.

Although artificial intelligence has been touted as the long-term benefit for labour shortages and shows potential in healthcare,¹³ the technology remains in its infancy. All Canadian healthcare respondents to HUB's survey ranked training and adding skills as having an impact on employee vitality, more than any other element.



The industry might better heal itself with a humanistic approach to benefits and work policies. More than eight out of 10 of employees want to be seen as individuals, not merely workers,¹⁴ and for their employers to support both their work and personal lives. Delivering personalized benefits that create **quality employee experiences (QEX)** can be a major factor in boosting recruiting and retention efforts in 2024.

8. Canadian Nurse, "[Solutions to tackle the nursing shortage and burnout immediately: a review of the literature.](#)" April 17, 2023.
9. CBC, "[As Canada grapples with a doctor shortage, Ottawa announces immigration stream for health workers.](#)" June 28, 2023.
10. Angus Reid, "[Doc Deficits: Half of Canadians either can't find a doctor or can't get a timely appointment with the one they have.](#)" September 8, 2022.
11. Statistics Canada, "[Quality of employment and labour market dynamics of healthcare workers during the COVID-19 pandemic.](#)" August 10, 2023.
12. Canadian Occupational Safety Magazine, "[Hospital staff subjected to increasing violence: Report.](#)" July 19, 2022.
13. National Library of Medicine, "[Evaluation of artificial intelligence techniques in disease diagnosis and prediction.](#)" January 30, 2023.
14. HR Today, "[Rethinking EVP.](#)" June 11, 2021.

Risk management will be key to success in a challenging environment.



Given the headwinds working against the industry, it will be difficult for healthcare providers to rebuild resiliency.

Some risks are more easily tackled than others. Technology's role in healthcare, for example, is vitally important for greater efficiency and enhanced patient care. But cyberattacks have skyrocketed: Cybercriminals have unleashed ransomware attacks on more than 400 healthcare organizations in Canada and the United States since 2020,¹⁵ causing closures.

There is good news. For providers, the cost of professional liability coverage is expected to fall. In addition, cyber insurance premiums are likely to level off or have minor rate increases after years of double-digit price hikes.

Guarding against Mother Nature is another matter. As hurricanes, floods, extreme heat and other catastrophic weather events occur with more frequency, business contingency plans are key, but so is sufficient insurance. Property insurance rates in general are expected to remain flat in 2024, but rates for facilities in catastrophe (CAT) zones will rise.

Because many carriers are limiting capacity or increasing premiums to the point of unaffordability, healthcare providers will want to consider alternate risk vehicles like **captives** or self-insurance for certain insurance needs, such as property coverage, when appropriate.

Organizations should not expect a single underwriter to cover all their insurance needs in any given coverage line, as healthcare providers often need to access multiple carriers for full coverage.

15. Canadian Centre for Cyber Security, "[National Cyber Threat Assessment 2023-2024](#)," 2022.

Disruptions ahead. Are providers ready?

Nearly 60% of Canadian healthcare respondents to HUB's Outlook Executive Survey conduct enterprise risk management assessments monthly or quarterly, indicating executives understand that preparedness will be important in 2024.

But there is a difference between knowing that preparedness is important and actually being prepared. For example, 68% of the HUB survey's Canadian healthcare respondents say they are prepared for climate change and severe weather. Yet fewer than half have effective facilities risk management plans.

For hospitals, climate change is a two-pronged risk: They must prepare for weather damage to healthcare facilities and care for patients injured in a severe weather event. No matter if the disaster is a hurricane, wildfire or extreme heat, these events will be costly — the latter alone expected to amount to hundreds of billions in additional healthcare costs before the end of the decade.¹⁶

Health systems have responded with dashboards listing patients at risk from extreme weather events and have encouraged investment in tree canopies and improved cooling and air filtration in the homes of those at risk.¹⁷

For hospitals, climate change is a two-pronged risk: They must prepare for weather damage to healthcare facilities and to care for patients injured in a severe weather event.



Organizations are also rethinking construction, rebuilding hospitals and adding barriers to withstand hurricanes and floods, for example.¹⁸

Healthcare providers need to consult their insurance broker about filling gaps in preparedness, whether it's for an increasing number of patients, weather-related damage to property, or audit or litigation preparation. If they're unprepared, they not only risk damage to the bottom line, but their ability to stay operational.

16. Global News, "[Cost of future extreme heat events high for humans and the B.C. economy: report](#)" July 7, 2023.

17. The Commonwealth Fund, "[How Health Care Organizations Are Preparing for Climate Shocks and Protecting Vulnerable Patients](#)," October 20, 2022.

18. Health Facilities Management, "[Building hospitals that can withstand extreme weather events](#)," August 24, 2022.

Make a plan

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



Thoughtfully lean into risk.

Risks in healthcare have increased — and so have premiums. Consider taking a higher deductible, which reduces premiums and improves experience rating, or 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 — especially healthcare workers — 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, workplace violence against healthcare workers and increased patient litigation, keeping patients and employees safe 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 your insurance broker 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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| 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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| 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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| 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 Healthcare

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