

 Outlook.

Private Client

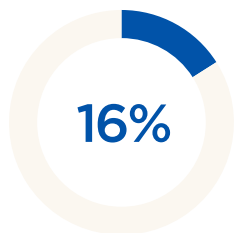
Preserving wealth through improved risk management and insurance.





What to Expect in 2024

A growing number of increasingly destructive weather events and a rise in litigation and cybercrime has made personal insurance more expensive and coverage less available. Premiums are rising, insurance limits are declining and insurers are demanding more conditions on policies. Affluent individuals and their families will need to pay even more attention to risk management and adopt more proactive strategies to protect their homes, possessions, personal information, reputation and financial security.



Only 16% of affluent families have recently updated risk management procedures.

HUB International 2024 Outlook Executive Survey.

Affluent families' resiliency threatened by extreme weather events.

Elevated interest rates, economic uncertainty and the rising frequency and severity of serious weather events are among the many factors making it more challenging than ever before to preserve wealth and safeguard it for the future. However, fewer than a quarter of affluent families in Canada responding to HUB International's 2024 Outlook High Net Worth Survey¹ cited natural hazards, liability risks or water damage as threats to their financial security.

Many respondents are confident that their current insurance coverages provide adequate protection. But affluent families need to challenge those assumptions in 2024.

Severe weather led to more than \$3 billion in damages last year, making 2022 the third worst year for insurers in Canadian history.² Theft is on the rise: Vehicle thefts are up 50% in Quebec and 48% in Ontario compared with the prior year,³ and a rash of home invasions in greater Vancouver targeting high-value cryptocurrency investors prompted law enforcement to issue a warning.⁴ In addition, increasing repair costs are making it more expensive to insure watercraft, ATVs, motorcycles and other ancillary vehicles.

Atlantic Canada has been hard hit with excessive rain and flooding,⁵ causing damage only a year after the same region was flooded by Hurricane Fiona.⁶ And wildfires across the country have made headlines, with Alberta's wildfires burning an estimated 1.5 million hectares of land at a cost of roughly \$700 million.⁷ One insurer had to pay out so many weather-related claims that it wasn't able to distribute profits to the Saskatchewan provincial government for the first time in more than a decade.⁸

That means high net worth families — particularly those residing in areas prone to natural disasters — will likely have to assume a greater share of risk, pay more for protection and invest in measures to boost the physical resiliency of their homes.

It has become essential for buyers to work with a broker to understand potential insurance coverage limitations — or whether the property is insurable — before they even consider purchasing a new primary or vacation home.

Alberta's wildfires burned an estimated

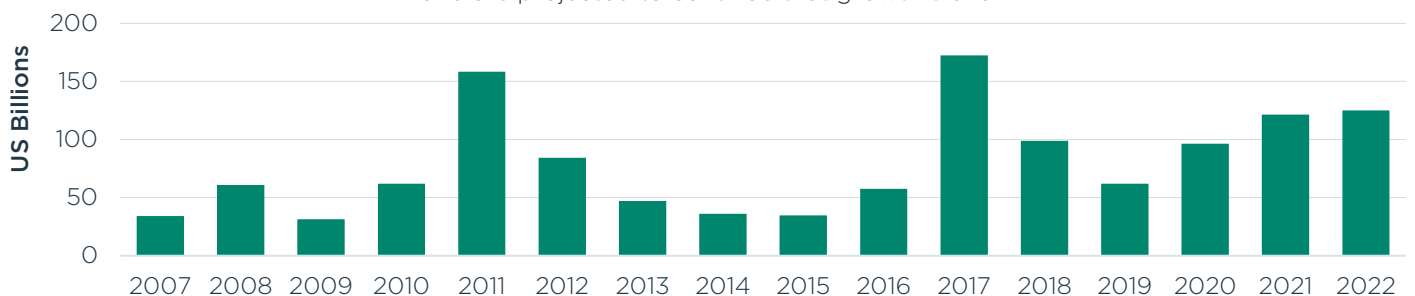
1.5 million

hectares of land at a cost of roughly

\$700 million.

Global natural catastrophe insured losses (in 2022 prices)

Insured losses from natural catastrophes have been rising across the globe and are projected to continue that growth trend.



Source: [Swiss Re Institute](#).

Policyholders must bear the burden of risk mitigation.

Insurers are requiring clients to shoulder more responsibility for protecting their assets and property. This may include greater cost-sharing through higher deductibles or implementing measures to better protect the property from exposures, such as wildfires, catastrophic weather events and earthquakes.

In high-risk markets, insurers are adding exclusions for catastrophic (CAT) events like floods, wildfires and named storms, while eliminating coverage for cosmetic damage from weather events. In addition, more policies are being priced at levels that incentivize policyholders to accept high deductibles and/or self-insure in whole or part. Although less common in Canada, in Florida, where many affluent Canadians maintain vacation properties, an estimated 13% of homeowners fully self-insure their properties.⁹

Currently, only three in 10 Canadian respondents to HUB's survey are increasing limits or layering policies to reduce risk. But insurers are insisting policyholders implement specific measures to safeguard their homes and possessions. This includes securing roofs with hurricane straps, clearing brush around homes in wildfire zones and limiting the waters where yachts can dock.

Those choosing (or who are forced) to self-insure — essentially paying for any losses out-of-pocket in lieu of insurance — must prepare for additional challenges. In addition to covering financial loss, insurers typically connect affluent clients with approved vendors that are qualified to remediate damage. Those who self-insure will need to consider the full financial impact if a significant event occurs.

For example, the real value of a policy is typically about 200% of a home's insurable value — covering not only the replacement costs of the main house, but other structures such as detached garages and pool houses, outside amenities like swimming pools and spas, contents and debris removal.



Added benefits of procuring a traditional insurance policy include free risk management assessments from carriers to mitigate property risks, as well as the help carriers can provide managing the aftermath, such as lining up residential restoration services and debris removal firms. Self-insured homeowners will need a plan for securing such services independently when vendors are stretched thin in the wake of a major event — and be prepared to pay the full cost of the cleanup, repair and rebuild.

Nearly 90% of affluent Canadians polled in the HUB survey believe they have a personal risk management program that adequately covers all aspects necessary to mitigate exposures. However, given the changing landscape, it's unlikely that affluent families' perception of preparedness meets reality.

High net worth families intent on minimizing their risk need to ask their broker pointed questions about their property exposures. *Will insurance cover the yacht if I dock it at my winter house in Palm Beach in the fall? Are my home mitigation investments adequate in case of a wildfire? Should I withdraw my bid for a house I really want in a high-CAT zone?*

The answers will help determine whether there's adequate protection for these families' assets — or if they're throwing money away.

Risk mitigation requires a comprehensive approach.

As the insurance market tightens, affluent families will need to approach risk mitigation holistically, looking beyond the traditional homeowners, auto and umbrella liability coverages to protect and support their lifestyle.

The most rapidly growing threat facing high net worth individuals is cybersecurity: A quarter of all affluent families have experienced a cyberattack within the past two years.¹⁰ More than two-thirds of Canadians were the target of a cyber crime in 2022, and losses related to social engineering scams, such as romance or emergency schemes, rose 400% compared with the prior year.¹¹

Losses related to social engineering scams rose

400%

compared with the prior year.



But according to HUB's Outlook High Net Worth Survey, fewer than half of affluent Canadian families believe that they have adequately protected themselves from cyber threats.

As the rate of cyberattacks accelerates, insurers are demanding more stringent cybersecurity measures, including professional security scans, payment processing safeguards and multifactor authentication.

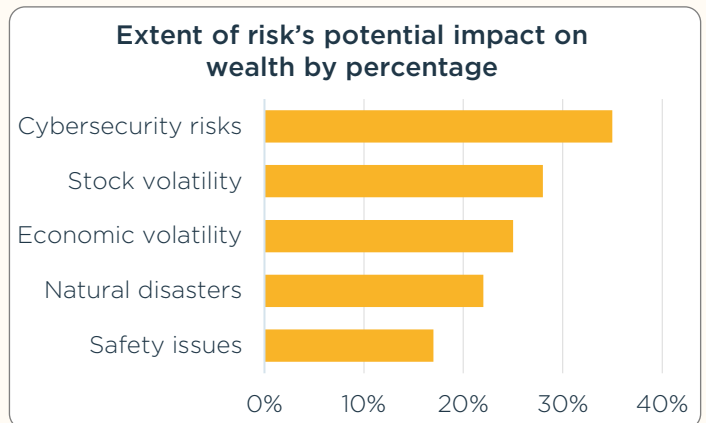
Lifestyle choices also affect risk, such as the exposures inherent in travel. Following the COVID-19 pandemic, the luxury and adventure travel market has rebounded strongly. However, 53% of respondents to HUB's survey do not have a risk mitigation protocol for travel and only 7% purchase kidnap and ransom policies.

Those travelling abroad, particularly to more remote locations, should be reviewing coverage limits of travel insurance policies they have purchased, noting the protection provided by their credit card issuers and considering additional exposures.

Business, philanthropic and lifestyle activities also may not be adequately covered under general policies. For example, those serving on corporate or philanthropic boards should ensure that directors & officers (D&O) policies provide protection from liability. Higher-risk activities, such as piloting small aircraft, may also fall into gaps in coverage.

Another area chronically underinsured is umbrella coverage. According to HUB's survey, 48% of high net worth individuals believe they effectively address their liability risks, but a significant number of affluent families fail to purchase umbrella liability coverage that covers their net worth.¹²

With the influence of an increasingly litigious society and the soaring jury awards that go with it, an incident such as a teenage son's drunk driving accident could bankrupt a family who failed to carry sufficient umbrella insurance.



Source: HUB International 2024 Outlook High Net Worth Survey.

Have ‘the conversation’ with the next generation to preserve wealth for the future.

Enduring legacies are built on preparing younger generations. Many affluent families and their family offices make concerted efforts to help develop financial literacy for those who will inherit wealth, but too often overlook risk management.

Younger generations will face an increasingly complex risk management landscape, and protecting the family’s homes and collections may become a far more expensive venture. Impending estate tax changes will leave many heirs with a high tax burden after the settling of an estate, and insurance coverages that have long been taken for granted may no longer be available.

Education is the key to future risk preparedness. The next generation needs to understand exposures and vulnerabilities, and how those risks are being addressed – whether it’s through a policy, self-insured or a combination – as well as the policy details and exclusions.

Younger family members should understand what insurance actually covers, and how circumstances and behaviour affect risks and security. For example, family members may not realize the potential liabilities of throwing a party at home: The family could be sued for millions if a guest sustains an injury on the property or if an attendee drives impaired following the party and causes a car accident.



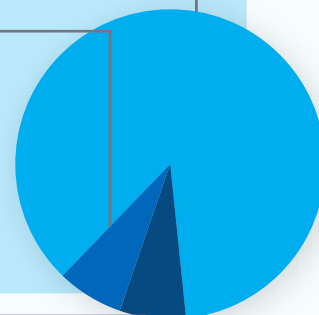
Of course, adequate liability coverage is important, but the ultimate aim is to protect every family’s most precious asset, their children. A knowledgeable broker can help the next generation gain an understanding of risk management and identify potential exposures the family could face in the future.

Most affluent individuals believe their personal risk management program effectively mitigates exposures:

87% My risk management program has me covered

7% I have risk exposure

7% I don’t know



Source: HUB International 2024 Outlook High Net Worth Survey.

Make a plan

HUB Private Client specialists will work with you to develop a tailored strategy that will protect your wealth, personal information, reputation and assets, as well as prepare the next generation with proactive strategies to retain the family wealth. Here are some initial considerations:



✓ Invest time and money in mitigation measures.

From removing wildfire landscaping or installing water sensors to upgrading your home cybersecurity, a little bit of risk reduction can have an outsized impact on reducing your risk and increasing your insurability. Don't forget to protect your other assets by adequately safeguarding valuables, storing fine art in temperature- and humidity-controlled rooms and docking your yacht at a marina with 24-hour security.

✓ Educate the next generation.

Retaining multigenerational wealth involves more than good investments and risk mitigation — it also requires preparation for the next generation. Educate the younger members of the family on how to manage risk. Ask your broker to participate in the discussion to answer any questions and provide a picture of the family's exposures.

✓ Consider unconventional insurance options.

Today's challenging insurance marketplace requires creativity. Don't be afraid to look into options beyond the traditional marketplace. From specialty risks coverage to self-insurance options, your broker can find the best mix to mitigate your risk for generations to come.

✓ Be transparent with your broker.

Let your insurance broker know about any major life changes or planned property purchases to ensure you're as protected as possible. Review exposures and insurance needs at least 90 days prior to your policy renewal to allow your broker to find the optimal mix of coverage for your family's needs.

1. Results taken from HUB's 2024 Outlook High Net Worth Survey, which polled 300 high net worth individuals, advisors and wealth managers on the issues affecting affluent families' profitability and resiliency.
2. Insurance Bureau of Canada, "[Severe Weather in 2022 Caused \\$3.1 Billion in Insured Damage -- making it the 3rd World Year for Insured Damage in Canadian History.](#)" January 18, 2023.
3. Global News, "[Car theft surged in 2022, led by Quebec and Ontario: report.](#)" June 6, 2023.
4. Delta Police, "[Police Issue Warning to High-Value Cryptocurrency Investors Following Home-Invasion Style Robberies.](#)" July 18, 2023.
5. CBC, "[Extreme wet weather plagues Nova Scotia golf courses.](#)" August 20, 2023.
6. The Globe and Mail, "[Hurricane Fiona the most costly extreme weather event recorded in Atlantic Canada, insurers say.](#)" October 19, 2022.
7. Insurance Business Magazine, "[Natural disasters makes Alberta one of Canada's riskiest provinces.](#)" July 5, 2023.
8. CBC News, "[SGI Canada unable to pay dividend to Sask. government for first time in 12 years.](#)" August 4, 2023.
9. Miami Herald, "[Who needs homeowners' insurance in Florida? Here's what you should know.](#)" June 27, 2023.
10. Barclays, "[Hackers turn their gaze on high-net-worth individuals.](#)" May 20, 2021.
11. Insurance Business Magazine, "[Cybercrime surge demands vigilance.](#)" June 7, 2023.
12. Forbes, "[How An Umbrella Insurance Policy Works And What It Covers.](#)" August 8, 2023.

Private Client Rate Outlook

HUB International interviews personal insurance brokers and risk services consultants who specialize in Private Client business to bring you our proprietary rate report. Read the HUB 2024 Private Client Rate Report to know what to expect in advance of your next renewal.

Coverage	2024 Canadian Private Client Rate Outlook	Insights
Auto	↑ +11% to 20%	Expect rate hikes to offset insurer losses from increased vehicle replacement and repair costs, a rising number of vehicle thefts and inflation.
Homeowners	↑ +11% to 20%	The significant wildfire losses in 2023 will drive up rates 11% to 20% for most insureds. Expect underwriters to closely examine property eligibility and mitigation strategies.
Personal Umbrella	↑ +11% to 20%	An uptick in the frequency and severity of claims is causing rates to rise. Social inflation and the increasing severity of auto accidents will likely continue the rate trends as more cases resolve.
Catastrophic Perils	↑ +11% to 20%	Earthquake deductibles are rising, and insurers are tightening their capacity and refusing to write coverage in some higher-risk areas.
Specialty: Motorcycle, RVs, Watercraft	↑ +5% to 10%	The significant demand for lifestyle products during the travel-restricted period of the pandemic drove up the cost of specialty vehicles and watercraft along with insurance values. However, with supply chain issues largely resolved and less demand for these products, insureds can expect to see rates holding steady with inflation.

NOTE: Rate is typically defined as the amount of money necessary to cover losses and 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 Private Client

When you partner with HUB Private Client, you're at the centre of a vast network of experts who will help you reach your goals and remain resilient into the future. For more information on how to manage your insurance costs and reduce your risk, talk to a HUB Private Client Risk Advisor. We're here to help.

\$1.29B

in personal insurance
premium brokered by HUB

537,000

personal lines clients

873,000

personal insurance
policies managed

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