

HUB 2024

Outlook Q1 Rate Report

Sunny Days Ahead

2024 to Provide Rate Relief
for Many Insureds



Risk & Insurance | Employee Benefits | Retirement & Private Wealth



Businesses may finally experience a reprieve from years of continuously rising insurance rates in 2024. With insurance rates moderating in many lines of coverage, and some rates even declining, for many organizations the outlook is bright.

Unlike the rate hikes seen at the start of 2023 in response to the uncertainty over the losses insurers would incur from destructive Hurricane Ian and the 2022 Christmas “bomb cyclone,” rates largely remained stable at the start of 2024, and most buyers will be able to procure the insurance coverage they need.

In stark contrast with the prior year, when reinsurers substantially raised premiums and worsened coverage terms for most insurers, this year’s January reinsurance renewals showed stabilization. Even property insurance rates — which skyrocketed in early 2023 — stabilized in the first quarter of 2024.

For most policyholders throughout North America, rates will increase slightly for property, commercial auto, general liability and umbrella policies. Those with a favorable claims history and strong risk management program may receive minimal rate increases to flat renewals on those lines. On the other hand, many insureds may see rate decreases for workers’ compensation, directors & officers (D&O) and cyber coverage.



Hazy conditions remain for CAT risks

But trouble spots remain. Businesses with exposure to catastrophes (CAT) such as hurricanes, wildfires, earthquakes and severe/convective storms may struggle to find enough insurance and will pay a premium for coverage. Although insurance losses from man-made and natural catastrophes declined 23% in 2023 compared with the prior year, insured losses from the Maui wildfires in August may climb as high as \$3.5 billion, and two of the most severe thunderstorms ever recorded¹ in the U.S. cost insurers about \$12 billion.²

Those losses, coupled with inflation that has increased the cost of insuring risk, have made underwriters less willing to take on new risky accounts, particularly businesses in locations with a large concentration of high-value properties. In addition, few new insurers are interested in insuring these types of exposures.

Insurers with risk-exposed properties in Canada may also face difficulties finding sufficient coverage. Canada experienced its fourth-worst year of natural catastrophe insured losses in 2023, and insurers are expected to pay as much as CAD 3.1 billion in losses.³ Similar to the U.S., these events have driven up the cost of coverage for catastrophe perils, as well as CAT-exposed properties, in 2024.

Fortunately, other affordable options for insureds exist, such as parametric insurance coverage and captive insurance solutions to finance property risks.

Although a significant CAT event could change the course of the insurance market, today the outlook for 2024 is bright. Organizations that properly manage their risk and embrace creative strategies for insuring against losses can expect sunnier days ahead.

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1. The Wall Street Journal, "[U.S. Saw Record-Breaking Thunderstorm Damage in 2023](#)," January 9, 2024.
 2. Munich RE, "[Record thunderstorm losses and deadly earthquakes: the natural disasters of 2023](#)," January 9, 2024.
 3. The Insurer, "[CatIQ: Canada faced fourth-worst nat cat insured loss year in 2023](#)," January 8, 2024.

Make a plan

The insurance market may look rosy, but maintaining a strong risk management strategy remains imperative for building organizational resilience and vitality.

To reduce your total cost of risk, take the time now to implement these best practices:



Educate yourself on the insurance marketplace.

HUB's proprietary First Quarter 2024 Rate Report provides the latest information on rates and exposures for each insurance line and a wide range of industries. This information will help you and your broker prioritize risk and mitigation measures.



Research your insurers.

Look into the insurers providing you with coverage. Do they have a good reputation? Are they fiscally sound? Dozens of insurance carriers — particularly those in CAT-exposed states like Florida and California — have folded, leaving policyholders in a lurch. Heed the old adage, “You get what you pay for,” and seek out top-rated carriers for coverage — your broker can point you to the best.



Review your risk management plan.

The first quarter of the year is an ideal time to review your risk management program and evaluate its effectiveness. Take this time to look at enterprise-wide risk and how your insurance program is protecting you against exposures, including CAT risks. HUB's risk and insurance experts can provide the guidance you need to protect against today's risks and prepare your organization for the future. Call HUB, we're here to help.



Rate Outlook

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants throughout North America each quarter to bring you our First Quarter 2024 Business Lines Rate Report for Canada.

Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	Q1 2024 – Canadian Commercial Rate Outlook	Insights
Commercial Automobile (5 or fewer vehicles)	↑ 1% to 5%	Increased labour costs, supply chain issues, more cars on the road and an uptick in vehicle thefts have driven up commercial auto claims costs.
Commercial Automobile (6 or more vehicles)	↑ 5% to 10%	Inflation has driven up the cost of some claims, and supply chain delays have stretched timelines to resolve claims.
Liability	↑ 1% to 5%	Clients should see more competitive pricing in general liability; insurers are writing more liability policies to diversify their books of business.
Excess Liability	↑ 1% to 5%	Excess casualty remains fairly stable, with some variability depending on exposure and attachment points. Costs for some excess layer policies are increasing in response to higher primary coverage rates, while premiums on other layers are falling due to low claims experience. Classes with low claims experience are likely to see pricing decreases.
Commercial Property	Flat to ↑ 10%	Property rates have improved due to an increase in market competitiveness and capacity. Clients with property in CAT-prone zones will see larger increases than those in non-CAT-zones and may have some difficulty finding insurers willing to write the risk.
Residential/Habitational Property	↑ 1% to 5%	Rising reinsurance costs, increasing construction costs, supply chain issues and the unprecedented catastrophic weather events of 2023 are pushing up rates and putting pressure on claims timelines. Additional attention on insurance-to-value will affect overall premiums given the increased reconstruction costs.
Catastrophic Perils	↑ 5% to 10%	A greater number of CAT events in 2023 have increased the cost of reinsurance and put pressure on insurers. As a result, clients can expect to see larger rate increases in catastrophe-prone zones.
Environmental	↑ 3% to 5%	Environmental insurance rates remain relatively flat, with potential increases below inflation at 3% to 5%. However, underwriters continue to tighten terms and exclusions; restrictions should be reviewed. PFAs and phthalates (plasticizers) litigation continues to rise, and coverage availability continues to decrease. Mold remains a frequent claim. Regulatory fines and penalties also continue to increase, along with enforcement.

Rate Outlook

Coverage	Q1 2024 — Canadian Commercial Rate Outlook	Insights
Directors & Officers: Private	↓ -10% to ↑ 5%	The D&O marketplace for private companies has stabilized, and insureds with no major changes can expect to see flat renewal premiums or, in some cases, premium decreases. Insureds with claims or significant exposure changes may see some premium increase. Some classes of business continue to be challenging, including healthcare, education, oil and gas, cryptocurrency and cannabis. Financially challenged accounts will be particularly difficult placements.
Directors & Officers: Public	↓ -15% to Flat	The D&O marketplace for public companies remains favourable for insureds. Those who did not see significant decreases in 2023 will likely see declines in 2024. However, those who benefited from major decreases can expect to see a more stable market. Insureds who have completed a transaction (IPO, merger, etc.) may see increased pricing, but overall, increased competition in the market is resulting in favourable pricing.
Cyber Liability	↓ -5% to -1%	The cyber market saw a steady decrease in rate across every quarter of 2023, and further decreases of 5% to 10% in Q4 of 2023, due to increased competition and capacity entering the market. While insurers are still reporting a high frequency of business email compromise, funds transfer fraud and ransomware, the severity of these claims has declined slightly year over year. Although we are cautiously optimistic, the short-tailed nature of cyber claims may result in more frequent rate changes.
Inland Marine	↑ 5% to 10%	Frequency and severity of claims remain an issue, while supply chain delays and continued CAT events are leading to rate increases.
Marine	↑ 5% to 10%	The marine insurance market is experiencing rate increases due to a combination of factors such as rising global shipping activity, geopolitical uncertainties and the impact of recent natural disasters on maritime trade routes. Clients should anticipate rate increases and potentially stricter underwriting standards. Engaging in proactive risk management strategies, providing comprehensive and accurate information to insurers and exploring potential bundling options can help clients optimize coverage while managing costs in this challenging market. Additionally, clients should stay informed about market dynamics and collaborate closely with their broker to navigate any potential caveats and ensure a smooth renewal process.
SME	↑ 5%	Carriers continue to ask for rate increases due to inflation, increased claims and reinsurance costs. However, these increases are likely to be in the single digits, particularly in areas where CAT-exposure is not a significant factor. Casualty coverage rates will flatten or decrease in some specialty lines, with property experiencing the biggest rate increases. We anticipate increases averaging 5% in target classes/risks, with bigger rate increases in Western Canada due to the high reinsurance cost for earthquake and secondary perils.

Industry Perspective

Business	2024 Rate Outlook	Insights
Agribusiness	↑ 5% to 10%	<p>Expect rate increases up to 10% from key insurers in 2024. Premium may rise if capacity becomes limited for farm business.</p> <p>For forestry business, clients can expect to see rate increases of less than 5%. Premiums for many will likely decrease as more capacity enters the market; it may also replace other higher-priced capacity.</p>
Cannabis	↑ 1% to 5%	<p>The initial high insurance rates for the cannabis industry are gradually decreasing as the market matures. Small, packaged retail commercial policies for dispensaries are experiencing notable rate relief due to increased competition among insurance providers. Licensed producers (LPs) are actively seeking cost-cutting measures, occasionally compromising coverage by forgoing private directors and officers (D&O) insurance or choosing lower coverage for crop protection. While middle-market craft growers still face elevated rates, the levels are less exorbitant than they were during the early stages of federal legalization.</p>
Construction	↑ 1% to 5%	<p>Large projects will see some reductions. Commercial general liability and excess coverages will still see some rate increases; auto will likely remain flat or with nominal rate increases depending on losses.</p>
Education	↑ 5% to 15%	<p>Educational institutions with high total insurable values and CAT exposures may struggle to find coverage among primary education insurers. Expect to see increased pressure on deductibles and capacity for earthquake exposures. Clients also need to focus on two key risks — cyberattacks and sexual abuse and molestation claims — and should maintain cyber security controls and sound student protection risk strategies to mitigate exposures and secure coverage.</p>
Entertainment	↑ 5% to 10%	<p>Property capacity remains a challenge for facilities with total insurable value greater than \$20M. Companies may also struggle to find sufficient coverage for abuse and molestation.</p>
Financial Institutions	Flat for R&W	<p>Representation and warranties (R&W) coverage will remain at historic lows (2.3% to 2.7% of the limit of liability purchased) for the foreseeable future unless merger and acquisition volume increases dramatically. Retention for middle-market deals with enterprise values between \$50M and \$500M are consistently 40 to 70 basis points and dropping down to less than 50 basis points 12 months post-closing. Overall, rates will remain flat for Q1. The M&A tax insurance market remains extremely competitive. Clients can expect to see premiums drop to all-time lows — placements may be done at 2% to 3% of the policy limits in 2024 vs. 4% to 6% two years ago. This trend is expected to continue, and it will remain a buyer's market.</p>

Industry Perspective

Business	2024 Rate Outlook	Insights
Healthcare	↓ -5% to ↑ 10%	More London capacity has entered the Canadian marketplace for medical malpractice, and rates are beginning to decrease across the country. Clients will likely see small (5% to 10%) rate increases for supporting package (property and commercial general liability).
Nonprofit	Flat to ↑ 5%	Overall, nonprofit rates increased an average of 4% on all applicable P&C lines. Rates for directors and officers (D&O) and cyber lines are more likely to remain flat, although client revenues will have a significant underwriting rating factor on D&O and cyber insurance renewal review. For D&O, insurers are more commonly offering multiple-year terms on a three-year installment basis.
Real Estate	↓ -5% to ↑ 10%	Underwriters did not see large catastrophic losses in the third and fourth quarters of 2023, and clients can expect rate hikes to slow as a result. Rates are softening for best-in-class risks. After two years of solid profitability and a stable reinsurance market at January 1, 2024 renewals, there is more competition and appetite for growth. Clients with CAT-exposed properties and a poor loss history can expect challenges to persist. Insurers are still focused on getting accurate reconstruction valuations.
Sports	↑ 1% to 5%	Property capacity remains difficult for facilities with total insured values in excess of \$20M. Clients can expect to see limitations on coverage limits for abuse and molestation and liability policies, as well as more scrutiny of protocols and procedures during underwriting.
Transportation	↑ 5% to 15%	The market is much more stable compared with early 2023. Incumbents will offer 5% to 10% increases on rates but expect an aggressive market for A+ accounts. Fleets with low U.S. exposure will see better terms and conditions. Owner-operators are likely to see 10% to 15% rate increases.

NOTE: Rate is typically defined as the amount of money necessary to cover losses and expenses, as well as provide an insurance company with a profit for a unit of exposure. **Exposure** refers to a business's or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.



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