

 Outlook.

Transportation

Driving success in transportation
requires diversification.

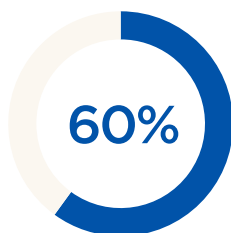


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



What to Expect in 2024

Shifting economic conditions and explosive growth in certain segments of the transportation industry have led many transportation companies to merge into new lanes of business. The industry's embrace of technology and willingness to diversify into other types of transport will boost fleet resiliency, though driver shortages will remain an obstacle. Transportation companies adept at managing risk will gain the greatest mileage.



Nearly 60% of transportation leaders cited changing customer demands as a significant business challenge.

HUB International 2024 Outlook Executive Survey.

Key to fleet profitability will require a gear shift.

In the past few years, the Canadian transportation industry appeared to be on a slow and steady upswing, but declining freight rates, fewer shipments, rising inflation and worker shortages will threaten profitability.¹ However, flattening insurance rates and a government funding boost will cushion the effects. Companies ready and willing to diversify and better assess how their fleet assets — both equipment and drivers — are best deployed will derive rewards.

Changing border requirements and a shifting economic environment in the past two years have the transportation industry in a state of flux. Although the high fuel costs of 2021 and 2022 have tempered somewhat,² signs of waning demand for freight and elevated insurance rates over the past year squeezed margins.

The economic uncertainty is a significant concern for 65% of transportation companies that responded to the HUB International 2024 Outlook Executive Survey, and nearly 60% cited changing customer demands as a notable business challenge.³

To combat these threats to profitability, more transportation companies have embraced shared freight and added last mile delivery (LMD) to their mix. Others are transitioning from flatbed to intermodal freight.

And some are making equipment modifications to be more energy efficient, winning business from shippers wanting their carriers to curb emissions and improve sustainability.

While these efforts will improve profits, they also bring operational challenges, affecting risk management and insurance buying decisions. Changing freight patterns, differing procurement procedures of transportation partners, sharing freight and more may fall under different regulatory rules and legislation, require different permits and licenses and could lead to new exposures.



To protect their companies from these new exposures, transportation business owners need to embrace analytics and create a plan for reducing risks. This should include analyzing critical data on the cost of risk, reviewing contracts and securing the right insurance. They can further reduce risks from business expansions by leveraging technology — linking critical dispatch and operations to compliance, risk and claims.

For example, a trucking firm moving into the LMD segment may not realize the increased risk of theft and delivery failures, and the impact weather, traffic and less experienced drivers can have on the company's overall risk management program.

Transportation companies that engage in strategic risk financing and implement technology and tools to identify, measure and reduce exposures will be in the best position to ride out a difficult renewal and preserve their profitability.

1. CTV News, "[No profit right now': Trucking industry facing leaner times as consumer demand drops](#)," August 24, 2023.
2. Canadian General Freight Index, "[Total Freight Costs Continue to Decline in July](#)," September 27, 2023.
3. HUB's 2024 Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Driver wellbeing will be a differentiator in 2024.

The transportation industry may be poised for growth, but the persistent driver shortage — with more than 20,000 driver vacancies and a shortage of 30,000 drivers predicted in the coming years — threatens the industry's very livelihood.⁴

The transportation industry has more than

20,000

driver vacancies.



Compared with the general population, Canadian truck drivers have significantly higher rates of cardiovascular disease and obesity⁵ and double the rate of depression⁶ — making interventional opportunities from employers imperative to maintaining a healthy workforce. Emerging artificial intelligence (AI) technologies and mobile apps in the marketplace can help drivers track critical health signals, which can improve their ability to pass biennial medical evaluations and increase overall health and retention rates.

Transportation businesses are also finding creative ways to boost morale and camaraderie, such as investing in driver incentive programs. By creating a program that rewards drivers based on performance, transportation businesses can reinforce their safety culture and more effectively recruit and retain top drivers.

This challenging labour market has intensified the focus on offering **employee benefits** that matter and are tailored to individual needs. In fact, nearly 40% of HUB's Canadian transportation industry survey respondents said lifestyle and insurance options were important elements of their comprehensive benefits strategy, and companies reported that drivers are increasingly seeking financial advisory support.

More companies are taking a data-driven approach to benefits, using **HUB Workforce Persona Analysis** to identify what is most important to their drivers and providing a **quality employee experience (QEX)**. In-demand benefits may include connecting drivers to health insurance or **personal coverages** via online platforms, offering same-day advances on pay, providing financial wellness education and retirement savings plans or adding personal wellness and weight loss programs.

4. Food, Health & Consumer Products of Canada, "[Canada's truck driver shortage will soon grow to 30,000 vacancies; immediate action needed.](#)" September 14, 2023.
5. National Library of Medicine, "[Health Comparisons between Truck Drivers and the General Population Using the Canadian Community Health Survey.](#)" October 2, 2023.
6. Truck News, "[Truck driver mental health a victim of 'toxic masculinity.'](#)" December 16, 2021.

Improve risk preparedness with technology.

The transportation industry has endured a decade of annual commercial auto rate increases, fewer insurance options and serious disruptions due to extreme weather events, pandemic lockdowns and changing border requirements. Those events will test transportation companies' resiliency throughout 2024.

Yet insurance renewals at the beginning of 2024 are expected to improve for fleets, with rates holding steady for both best-in-class companies and second-tier companies. Individually rated commercial auto companies will see rate increases of 5% to 10%.

Several auto insurers have exited the transportation space — particularly in Alberta, where a rate freeze was introduced in January.⁷ But provincial rate adjustments over the past few years have stabilized the market. As a result, transportation companies can expect overall rate increases of 10% or less in 2024, which will help the industry keep up with inflationary cost increases. Best-in-class businesses with favourable loss history and a solid risk management plan may see much smaller increases for the first time in years.

Market innovations and the increasing investment in technology are helping make insurance more affordable and available, while reducing the number and severity of accidents that lead to major claims.

63%

of trucking companies use technology to monitor driver behaviour.



The use of cameras and telematics is increasing, with 63% of trucking companies using technology to monitor driver behaviour.⁸ Dashcams and telematics data help reduce the number of accidents, injuries and deaths. They can also improve retention when high-scoring drivers are recognized for their performance.⁹

Case study:

One of HUB's clients, an aggregate hauler, invested in two-camera systems in its trucks on the advice of its broker. When an accident occurred, the company avoided an expensive claim when a recording of the incident revealed its driver wasn't at fault. This prevented litigation, ultimately providing the company with a 700% return on its investment.

7. Canadian Underwriter, "[Insurer backs away from Alberta auto - could others follow suit?](#)" July 19, 2023
8. Made in Canada, "[Dashcam Statistics in Canada](#)," accessed October 10, 2023.
9. Canadian Underwriter, "[Insurers urge trucking fleets to use telematics data more productively](#)," November 17, 2022.

Build a stronger, safer driver base through analytics.

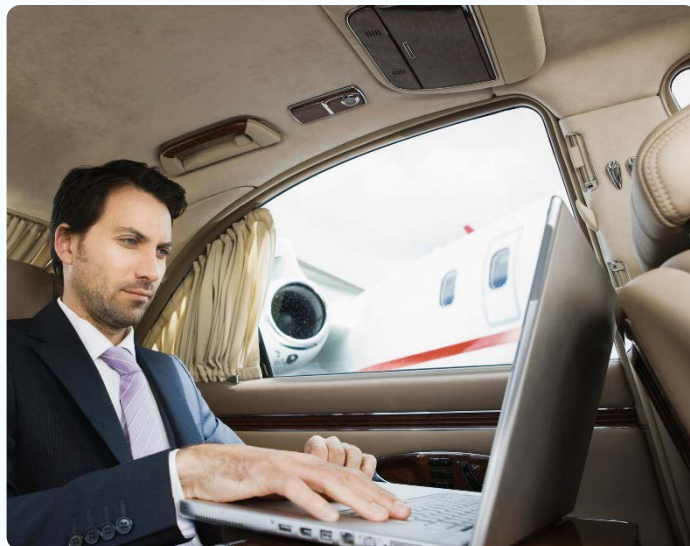
Transportation companies' widespread adoption of data and analytics shows no sign of slowing down, with the global transportation analytics market expected to reach US\$37.4 billion by 2028, compared with US\$11.5 billion in 2021.¹⁰

Organizations that learn to effectively leverage their data and analytics will reap significant rewards.

Extreme weather events cause nearly a quarter of all trucking delays. As severe weather events increase, companies are embracing data and analytics to better manage and anticipate these risks. Tracking systems linked to weather telematics notify both the company and driver of serious weather events and map alternate, safer routes.

Fleet vehicle tracking systems such as GPS, telematics, audio and video tracking and dashcams have become critical to asset management. Linking tracking to traditional risk management systems can help companies monitor the location of large-value shipments, alert drivers and dispatch of roadblocks en route, optimize routes and schedules, identify maintenance issues and waste, track claims by shipper and signal first notice of loss to reduce claims costs. Tracking systems linked to weather telematics notify both the company and driver of serious weather events and map alternate, safer routes.

Other newer technologies, such as biometric sensors that measure driver alertness, have the capacity to reduce accidents — many of which are caused by driver fatigue.¹¹



Despite their obvious benefits, transportation companies remain resistant to sharing such information with brokers and insurance partners. Roughly 30% of Canadian HUB survey respondents in transportation are willing to share the data necessary to access data-driven insurtech programs, captives or alternative risk financing.

Case study:

One HUB trucking client added a new telematics program to monitor aggressive and distracted driving and other undesirable driver behaviours. After three quarters of continuous monitoring and intervention, the company reduced accidents and speeding events by 42% and 10%, respectively, and reduced its riskiest driver average score by nearly nine points.

Transportation companies with a positive track record and the data to prove it should take advantage of the opportunity to tell their story through analytics — they can secure better terms and rates.

10. Research and Markets, "[Global Transportation Analytics Market](#)," January 2023.

11. New York Times, "[Wearable Tech That Tells Drowsy Truckers It's Time to Pull Over](#)," February 11, 2020.

Make a plan

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



Share your data.

Forget fears of Big Brother — transportation companies that share their data and analytics with their broker will reap the benefits of not only having additional information to mitigate risk but also being able to tell their safety story to negotiate better terms and conditions with their carrier.



Listen to your drivers.

Offering benefits tailored to the needs of your drivers can help you increase recruitment and retention. Find ways to connect them to benefits beyond paramedical insurance and incentivize good driving through rewards programs.



Invest in technology.

Embracing cameras and telematics — and making the most of your data and analytics to reduce risk — will improve your company's resiliency for years to come. For the best results, integrate your new technologies with traditional claims and first notice of loss system data. This will increase roadside safety and the company's efficiency.



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 organization 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 organization'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
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/Habitation 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%	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>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%	Expanding export opportunities and the loosening of global regulations have increased liability insurance options, with more competition entering the market.
		<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%	Rates are holding steady for most of the industry, though best-in-class risks may see slight rate reductions.
		<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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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 Transportation

When you partner with HUB, you're at the centre of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB transportation advisor. We're here to help.

\$1.6B

in commercial insurance premium brokered by HUB

23,000

transportation clients

55,000

insurance policies managed

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