

 Outlook.

HUB OUTLOOK 2024

**Resilience in an Evolving Risk Paradigm:
Protecting Profitability & Nurturing Vitality**



Risk & Insurance | Employee Benefits | Retirement & Private Wealth



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Executive Summary



New risks are emerging faster than ever — organizations that prepare now will be resilient and ready to embrace the future

Are you ready for tomorrow? Before you answer that question, take a moment to reflect on your approach to managing risks. Read the insights and action items in this report — and then decide. In an increasingly complex risk landscape, today's uncertainties — from nature's fury to geopolitical instability and supply chain breakdowns to cybercrime — organizations need to view their exposures with a renewed focus on risk management.

Now is the time to take action to protect your organization, and yourself, from emerging risks by aligning your organizational goals to your risk strategy to protect profits, drive organizational vitality and build resilience for the future.

The HUB International 2024 Outlook Executive Survey

Organizations that prioritize strengthening their resilience are better equipped to navigate risks than peers and competitors that don't. More importantly, such organizations gain the power to turn disruptions into opportunities for growth. To effectively support your evolving needs and more deeply understand the dynamics that will shape the future of your businesses, we conducted the HUB International 2024 Outlook Executive Survey.

Key Findings

Surveyed organizations are aware of the risks to their profitability in 2024. A majority are largely confident about their preparedness, but the survey reveals gaps between the steps they're taking to be fully prepared.

Specifically, the survey identifies several key areas for improvement, such as leveraging insurance as a financial tool for building resilience and taking full advantage of advanced data analytics to create a robust workforce.

Many organizations fail to fully invest in property loss control measures, use insurance as a strategic tool, focus on employee wellbeing or apply data analytics to track employees' wants and needs. Others need help creating a comprehensive business continuity plan and developing a robust enterprise risk management (ERM) framework.

Organizations with a forward-looking approach to risk will seamlessly navigate what's to come. However, those lacking such risk initiatives may overestimate their readiness or possess a false sense of preparedness and expose their businesses to risks.

Based on our survey findings, here are five key actions that organizations must consider to prepare for the future.

We surveyed 900 business leaders across 11 industry sectors in the U.S. and Canada, covering a diverse range of organizations based on revenue size and employee strength. The respondents are leaders and decision-makers in corporate leadership, risk management and human resources at both public and private companies and nonprofit organizations.



1 Close the gap between perceived and actual preparedness

When preparing for future risks, it is vital for organizations to proactively identify and prepare for potential threats, even those not immediately obvious. While many companies emphasize data-driven decision-making and greater collaboration on ERM assessments, only those taking an end-to-end approach that includes efficient risk mitigation and employee wellbeing initiatives are truly prepared for the future.

- Three-fourths of organizations claim to be prepared to address the most critical risks (e.g., disruption to business operations, governmental regulatory and legislative changes, increased expenditure and economic challenges and unpredictability).

76% of organizations lack ample insurance to maintain profitability, and

nearly 20%

of organizations in the U.S. and Canada take property loss prevention measures only if local rules demand it.

2 Use insurance as a tool to mitigate financial risk

There is a significant opportunity for companies to use insurance as a strategic financial tool to minimize earnings volatility and strengthen their financial position and overall organizational resilience.

- In reality, few organizations take advantage of the opportunity to leverage insurance as a strategic financial tool to manage profitability-related risks — just 27% of organizations have used it.

3 Amplify your focus on employee wellbeing to enhance workforce vitality

Companies can significantly improve vitality by using data on their employee population, including life stages and other demographics, to design employee wellbeing solutions that are tailored to their workforce.

- Employee wellbeing goes beyond physical and mental health. Organizations must consider other aspects like career growth, positive social interactions, financial management, retirement planning and more.

At present,

68%



of organizations identify employee wellbeing as a top strategy impacting workforce vitality, but only 36% strongly and consistently focus on it.





Executive Summary

4 Invest in advanced data analytics to meet employees' needs

Organizations that invest in advanced data analytics are better equipped to understand and respond to employees' current and future needs at an individualized level. Those that collect the relevant data by asking the right questions and look at the data holistically are able to drive down costs by reallocating resources to focus on the benefits most desired by the workforce.

When formulating and implementing their benefits strategy,

53%

of U.S. companies use data analytics to create cost-effective benefits programs that improve the bottom line and individual outcomes.

- However, the companies that claim to use data analytics may not be collecting or using data to its fullest extent. A robust approach to data analytics encompasses efficient preparation, data acquisition, modeling and deployment, along with a continuous focus on improvement and adaptation.

5 Develop an adaptive and effective ERM strategy for resilience

In a highly volatile risk environment, rethinking enterprise risk management (ERM) is paramount to ensure current plans are thorough and to implement more creative strategies like the use of insurance captives to support resiliency. Companies will require a robust ERM strategy with the right balance between the frequency and depth of risk assessments. C-suite alignment with the management of risk, insurance and employee wellbeing, along with efficient business continuity planning, are also critical for building resilience.

Organizations that adopt a tailored, data-driven ERM strategy are well-equipped to seamlessly navigate today's intricate risk landscape by gaining insight into insurance rates, claims and exposure trends.

Nearly half (45%) of the organizations in North America conduct frequent ERM assessments—

28% **conduct them quarterly and**

17% **monthly. However, only**

12% **maintain comprehensive business continuity plans, and**

43% **note a misalignment between C-suite objectives and risk strategies.**

- Organizations with risk management strategies that include comprehensive business continuity plans backed by the C-suite are better protected against risk.

In the three sections — Profitability, Vitality and Resiliency — this report highlights the discrepancy between perceived and actual preparedness, underlines the significance of employee wellbeing and offers strategies for enhancing resilience. It presents deeper insights into managing risks to help create a clear path to achieving true resilience.

Are you ready for tomorrow?

With HUB's 2024 Outlook as your roadmap to navigating risks and building a more resilient, profitable, and vibrant tomorrow, you can answer that question with confidence.



Profitability

Future-proof your profits using
insurance as a financial tool

Profitability

Today's business interruptions, the proliferation of AI and economic uncertainties have made it imperative for organizations globally to demonstrate their resilience and financial preparedness. The need for strategic risk management to protect the business and the bottom line has never been clearer. The question is, are organizations truly ready? Is their reliance on legacy risk mitigation strategies creating a false sense of preparedness for the future?

The HUB International 2024 Outlook Executive Survey hints at a gap between perceived readiness and actual preparedness.

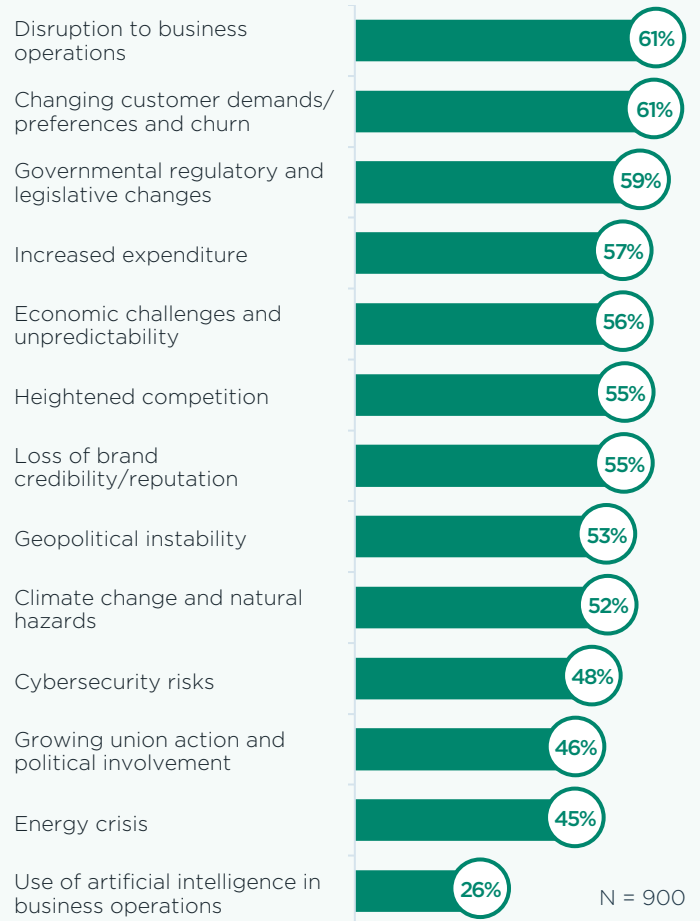
Navigating a Future of Diverse, Complex Risks

The world was still grappling with the pandemic's aftermath when global conflicts, natural hazards and the strained U.S.-China relationship added new burdens for businesses. This chain of events sent global economies, particularly in Europe and the U.S., spiraling due to disrupted supply chains and rising inflation. And rapidly evolving technology, including AI, is revolutionizing how we work and live and presents new unknowns.

Such events and advances have pushed businesses to their limits. This sentiment rings clear in HUB's 2024 Outlook Executive Survey, where over three-fifths of North American business leaders expressed concerns about operational disruptions impacting their profitability in the coming year.

An equal proportion of companies are weighing the effects of shifting customer preferences and churn on profitability.

Please select the extent of the potential impact of the following risks on your organization's profitability or financial results in 2024.



(The percentages in the graph are based on the sum of "high" and "very high" impact.)

Businesses also face hurdles in maintaining profits amid regulatory shifts, like the proposal to double the federal minimum wage by 2028¹ or the Inflation Reduction Act (IRA) of 2022's proposed corporate tax hike.²

HUB's survey reveals 59% of firms view this as a significant risk to their profitability in 2024, with increased expenses (57%) and economic uncertainty (56%) close behind.

1. Economic Policy Institute, "The impact of the Raise the Wage Act of 2023, by congressional district," August 22, 2023.
2. PwC, "Corporate - Significant developments," August 8, 2023.

Geopolitical conflicts across the globe, vulnerabilities in the supply chain, rising U.S. interest rates and energy price volatility have exacerbated inflation, raising the risk of U.S. defaults, which are predicted to climb to 4.5% by June 2024, from 3.5% in July 2023.³

To navigate these risks, organizations need robust risk management strategies that include continuous improvement processes, and must ensure their risk management, insurance capital and human resources strategies align with C-suite business objectives. It is vital to proactively identify and prepare for potential threats to profitability, even those not immediately obvious. The time to challenge existing protocols is now.

Rethinking AI-Related Risks

Surprisingly, only a quarter of surveyed companies see AI as a potential threat to profitability. However, forward-looking organizations should be alert to the unanticipated challenges AI might present. Specifically, generative AI, capable of creating content in text, audio and visuals, offers both potential and peril.

By 2025, generative AI will create 10% of all content,⁴ raising concerns about accuracy, bias and ethics. Beyond the known risks, like intellectual property issues, AI's evolving capabilities might lead to unforeseen challenges.

Organizations should select AI tools wisely and plan risk mitigation strategies that include insuring against these risks and noting any policy nuances. Imagine discovering an AI exclusion in your insurance coverage after facing an intellectual property claim; the financial impact could be substantial.

These challenges are on the horizon. Are you prepared?

Is Risk Preparedness Just a Perception?

Nearly 75% of North American organizations believe they're set to tackle profitability risks in 2024. Yet, are they truly taking the steps to guard their profit margins?

To dig deeper, we examined factors like the strategic use of insurance as a risk financing tool, investments in property loss control to protect business interruption and leveraging tailored insurance programs to support business growth.

Using Insurance to Safeguard Profitability

Seeing insurance as contingent capital can bolster financial stability and shield profits from uncertainties. Think of it as smartly financing risks for better resilience.

However, our survey shows almost

72%

of organizations haven't tapped into this strategy or are simply unaware of its potential.



3. Reuters, "[Corporate defaults jump, highest August monthly tally since 2009, S&P says](#)," September 13, 2023.

4. Gartner, "[Top Strategic Technology Trends for 2022](#)," October 18, 2021.

Profitability

Q Has your organization ever leveraged insurance as contingent capital/asset protection to effectively manage any profitability-related risks?



N = 900 Yes No Not aware

Proactive organizations see insurance not just as a transactional cost of doing business but as a tool for risk financing and enhancing business results.

In practice:

Consider an organization with a critical supply chain dependence. Any disruption to a suppliers' business operations may materially impact the financial performance of the organization. While traditional policies may not address such exposures, other risk mitigation strategies such as non-physical damage business interruption policies or parametric insurance can significantly protect the profitability of the business.

Industries with catastrophic (CAT) exposures, in particular, may benefit from parametric insurance, but before tapping into this market, consider asking these questions:

- Is there a specific type of coverage that your organization needs, which is either entirely unavailable or not accessible at a satisfactory cost in the traditional insurance marketplace?
- Do you encounter any counterparty restrictions that might prevent you from utilizing such solutions?

In practice:

In another example, consider companies leveraging their intellectual property (IP) or brand insurance as collateral for bank loans. Given the high value of IP or brands, banks may be more likely to approve loans. This turns IP into a business safety cushion, showcasing the strategic potential of insurance.

However, awareness and coverage aren't always in sync. Shockingly, 76% of organizations today lack ample insurance to maintain profitability. If you're in this bracket, is your risk management strategy truly bulletproof?

Q Do you have enough insurance coverage to protect your profit margin?



N = 900 Yes No Not aware

Gaps in Property Loss Prevention: A Red Flag

Property loss prevention involves reducing the risk of losses to both company-owned assets and those they use, like leased facilities.

Companies often protect their owned assets but hesitate with non-owned ones, especially leased spaces. The hesitancy stems from the uncertainty of occupancy duration. When they do invest, it is usually for safety and local code compliance, not to protect the building's structural integrity.

Our survey reveals that nearly

20%

of organizations in the U.S. and Canada only take property loss measures if local rules demand it.



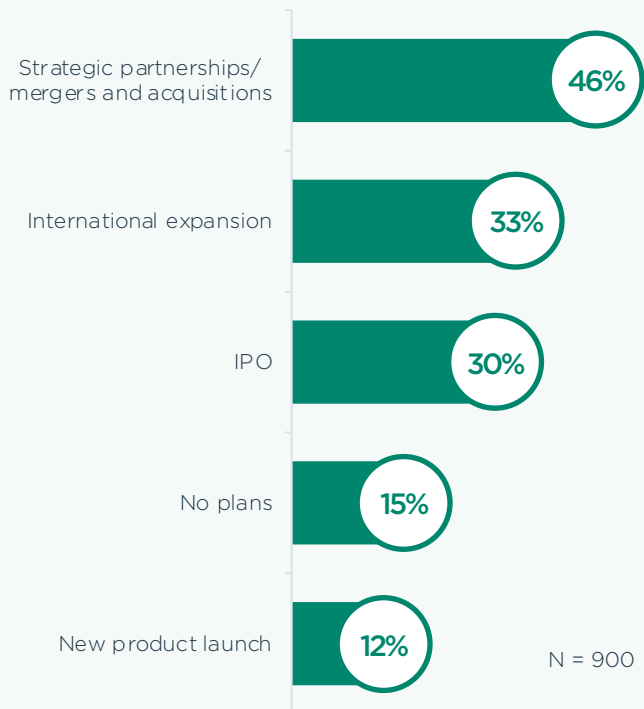
The takeaway? Firms need to act now to secure better insurance terms and address property risk challenges and have the wherewithal to push back on insurance carrier property valuations driven by inflation when ensuring appropriate coverage is in place.

Customized Insurance to Support Business Growth

Many organizations are optimistic about future growth strategies like partnerships, mergers and acquisitions and international expansion. In fact, half of those surveyed anticipate strategic partnerships or mergers in the next two years, and a third eye international expansion.

For those ready to make these moves, preparing for potential risks is key. Tailored insurance can be a game-changer, offering specific risk mitigation for each unique venture.

Q Is your organization planning on implementing any of the following in the next 24 months?



How Future-Proofed is Your Organization?

Organizations relying solely on internal knowledge and historical processes or lacking structured response strategies might be jeopardizing their profits. Leaders who are confident about their organization's resilience to handle upcoming risks but lack formalized measures must re-evaluate their risk plan.

A closer look at key areas might help validate your organization's readiness. Assess your risk strategy's comprehensiveness by asking:

- 1 How exposed are profit margins due to gaps in insurance (i.e., how much earnings volatility are we assuming vs. transferring)?
- 2 Is our choice against insurance coverage strategic, or just cost-driven?
- 3 Have we pinpointed our investment needs for risk mitigation?
- 4 Is communication with our broker transparent, and have we utilized stochastic modeling for informed insurance decisions?
- 5 Are we insured against common risks, the rare ones, or both?

The answers to these questions can determine whether your organization is prepared for the upcoming challenges with a tailored insurance strategy and risk management solutions. Collaborating with an experienced broker can help you maintain profitability and allow you to focus on future success.



Vitality

Prioritize wellbeing, financial wellness, and personalized benefits

Changing employee expectations amid labor shortages have made it urgent for employers to strengthen employee vitality and provide employees an environment where they can thrive. Focusing on vitality and providing quality experiences to employees helps organizations stay competitive in recruiting and retention, strengthening an organization's overall resilience.

The repercussions of low engagement can be severe:

Low engagement costs the global economy

\$8.8 trillion

each year, which is 9% of the global GDP.⁵

Despite the importance of these initiatives, do companies truly understand and act upon the most pressing needs of the workforce?

Analyzing employee wants and needs can reap financial rewards as well, allowing companies to drill down actual engagement of benefits and create plans that eliminate underutilized or suboptimized options to save money while meeting the needs of employees.

Despite the importance of employee vitality and the cost control payoffs, there's a disconnect between the actions businesses say are critical to workforce vitality and what they are actually doing.

While businesses recognize the importance of workforce vitality and the employee wellbeing at the heart of it, they could take a more informed, data-backed approach to their vitality efforts.

Align Organizational Efforts with Employee Priorities

Organizations that prioritize workforce vitality take an employee-centric approach to benefits. That approach usually includes training initiatives, competitive compensation, strong retirement plans and wellness programs. A benefits strategy aligned with employee needs will foster a workforce that's financially confident, adaptable and engaged.

Skill Development to Nurture a Future-Ready Workforce

In a thriving organization, employees can envision their long-term growth with the company, and are thus more engaged with their jobs. Such organizations prioritize training and teach new skills, reducing both costs and turnover. Financially, the case is clear:

Improving an existing employee's skills costs on average

\$1,300⁶

compared with an average cost of \$4,700 to hire a new employee.⁷



What's more, over half of all global employees will need to upskill or reskill by 2025 to keep up with the evolution of jobs.⁸

According to HUB's 2024 Outlook Executive Survey, a notable disparity exists between perception and reality:

68%

of respondents recognize the importance of upskilling, yet a mere 38% actively invest in it.

To stay ahead of the curve, companies should anchor their initiatives in concrete business objectives and diversified training requirements.

While planning and designing training initiatives, it is important to determine learning objectives, audience profile and characteristics, desired outcomes, training delivery options and timelines. Data analytics can pinpoint training requirements, create successful training initiatives and assess effectiveness.

5. Gallup, [State of the Global Workplace: 2023 Report](#), June 29, 2023.

6. Pathstream, ["Using Data Analytics upskilling to accelerate career advancement,"](#) December 1, 2022.

7. SHRM, ["The Real Costs of Recruitment,"](#) April 11, 2022.

8. Harvard Business Review, ["6 Strategies to Upskill Your Workforce,"](#) April 25, 2022.

Vitality

Q Please select the extent of impact and focus of the following strategies/initiatives on the overall vitality of your workforce.

| | Impact (high and very high) | Focus (strong and consistent) |
|--|-----------------------------|-------------------------------|
| Employee upskilling/reskilling efforts | 68% | 38% |
| Employee wellbeing | 68% | 36% |
| Talent recruitment | 66% | 35% |
| Job market dynamics | 66% | 36% |
| Differences in HR vs employee expectations | 65% | 39% |
| Salary compensation/package | 65% | 39% |
| Employee performance/productivity | 64% | 38% |
| Talent retention | 63% | 35% |
| Absenteeism | 61% | 35% |
| Inflation | 60% | 34% |
| Employee engagement | 59% | 39% |
| Use of technology (such as AI) | 54% | 43% |

N = 900

Reimagine and Prioritize Employee Wellbeing

Due to COVID-19 pandemic lockdowns, businesses have had to adopt new ways of working. Since then, the priorities of employees have changed. They expect their employers to weigh their wellbeing on the same scale as business growth. Yet only 16% of U.S. and Canadian employees feel they are flourishing at work or are in a high state of wellbeing at work.⁹

HUB's survey data indicates a stark reality: While only

68%

of respondents acknowledge the importance of wellbeing

36%

are taking concrete actions to improve it.

True employee wellbeing transcends traditional wellness programs, encapsulating physical, mental, financial and career wellbeing. While employers have traditionally focused on employees' physical health, more organizations recognize the importance of mental health, as employee stress and burnout take their toll on the workforce.

But it appears organizations have not focused enough on mental wellness: In 2022, only one-third of workers in the U.S. received mental health support.¹⁰

Employee burnout costs a staggering

\$322 billion

globally in terms of turnover and diminished productivity.¹¹

Standalone benefits such as extended health benefits, disability and savings or retirement plans are often insufficient to make a difference.

Case study:

For example, an oilfield repair company (a HUB client) was struggling to attract and retain workers at one of its remote locations.

A benchmarking study showed that the company's retirement plan was inadequate compared with its competitors. Seeking approval from its executive team, the company decided to increase its matching formula for retirement by an additional 1%.

9. Great Place to Work, "Wellbeing Study: 1 Out of 6 U.S. Employees Flourishing at Work," April 11, 2022.

10. Lyra Health, "2023 State of Workforce Mental Health Report," April 13, 2023.

11. Gallup, "Employee Wellbeing Is Key for Workplace Productivity," November 2022.

Case study:

Another separate analysis of its workforce revealed that the positions in question were predominantly filled by new entrants, a vast majority of whom were financially fragile and couldn't afford to invest an extra 1% in their retirement. Armed with this information, the company took a different approach and reallocated the dollars to a flexible spending account that helped pay for work items like work boots and vehicles, which addressed workers' more immediate needs. Such bespoke strategies underscore the importance of fostering a genuine culture of wellbeing.

Employers aiming to increase employee engagement and productivity in 2024 must offer personalized benefits as different employee groups have varying needs.

Case study:

One of HUB's clients, a financial services provider, faced an increase in retirements, entry level hires and young employees with families. After conducting a thorough analysis of the needs of its diverse workforce, the company realized it needed to revamp benefits in order to ensure employee engagement across the entire population.

As a result, the company focused on offering health plans that better fit the needs of its employees, including fertility benefits, weight management programs and financial wellbeing programs. By reallocating its resources to provide the benefits of most importance to the workforce, the company's overall spend remained flat while employees enjoyed new options that increased engagement and minimized turnover.

Despite the evident advantages of providing personalized benefits, the majority of organizations are not. HUB's survey indicates that only 40% of organizations include personalized benefits in their overall benefits strategy.

Offer Personalized Employee Benefits for Diverse Populations

Employee benefits — spanning health insurance, retirement plans, paid leave and flexible work options — complement base compensation. An effective benefits strategy, tailored to the needs of employees, is a competitive differentiator when it comes to improving retention and engagement.

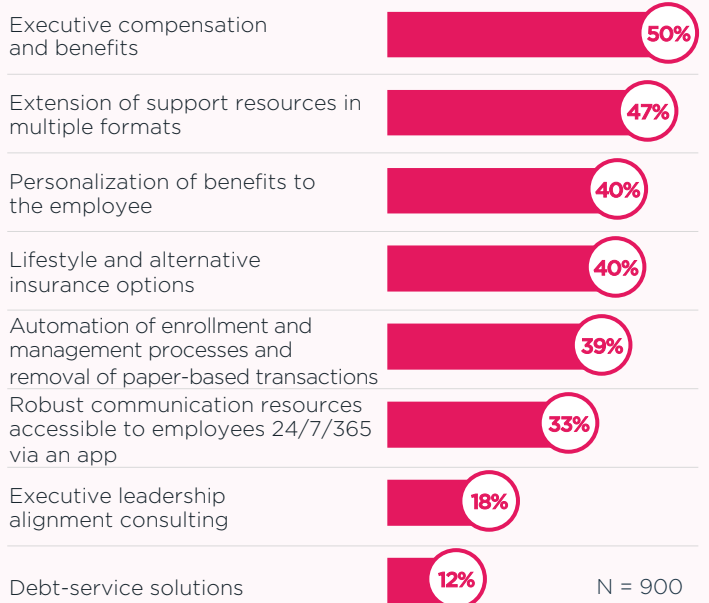
In comparison, a suboptimal benefits package can fall short in attracting top talent, ensuring employee wellbeing and, ultimately, improving business performance. Such shortcomings can impede recruitment and inflate operational complexities and costs.

Case study:

Consider the case of a major healthcare client of HUB that faced recruiting challenges due to competitive offers from larger institutions. In response, it took a comprehensive approach, redesigning the hospital's benefits, paid time off (PTO) plans and Total Rewards program, crafting a compelling employee value proposition (EVP). As a result, the client achieved a retention rate of 90% and an 85% employee engagement rate.

From a financial standpoint, it witnessed a 9% reduction in benefits expenditure despite enhancements, and annual savings of \$270,000 stemming from PTO cost reductions.

Q If your organization has a comprehensive benefits strategy, please select all elements that are included from the list below.



To craft benefits that truly resonate, organizations must employ sophisticated data analytics. Envision a company that has a large population of diabetic employees. Surface analysis might suggest offering a diabetes management program. But a deeper dive could reveal that almost 80% of them are already managing their condition well, making a widespread diabetes management program not cost-effective.

Harnessing Advanced Analytics to Inform the Benefits Strategy

The use of advanced analytics to assess employee needs has become more essential given that nearly four out of ten employees in the U.S. resigned from their positions in 2021 due to dissatisfaction with the benefits they were offered.¹² However, employees satisfied with their benefits are twice as likely to be content with their jobs.

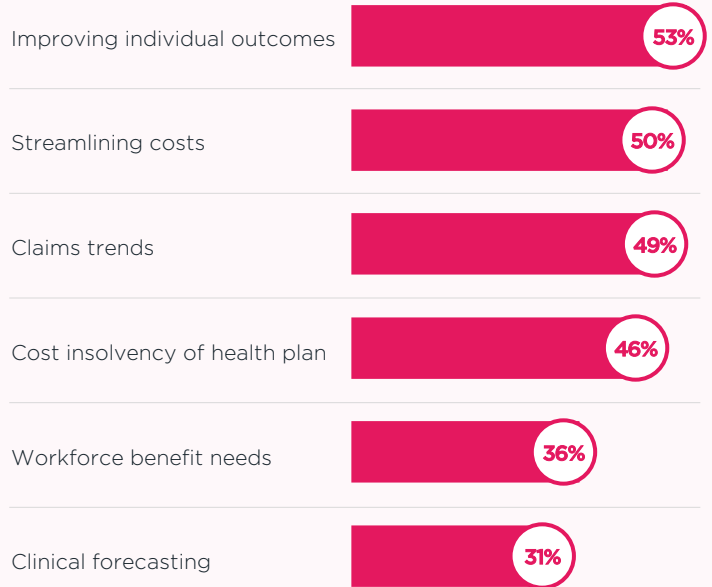
Harnessing advanced analytics is pivotal for organizations to craft and execute superior benefits strategies that elevate employee satisfaction and experience.

Our survey underscores this:

68%

of U.S. respondents deem advanced analytics as “significantly” or “extremely” crucial in shaping their employee benefits strategy, with the most-commonly cited objectives being improving individual healthcare-related outcomes (53%), streamlining costs (50%) and monitoring claim trends (49%).

Q How critical is the use of advanced analytics (claims data and insights, social determinants of health, etc.) in developing your employee benefits strategy? How does your organization use advanced analytics to formulate and implement your benefits strategy?



N = 642 (U.S. only)

The effectiveness of advanced data analytics relies on the quality and depth of data. Reconsider the company with a large diabetic population. Advanced data analytics might reveal that the diabetic employees who aren't managing their condition struggle due to socio-economic challenges and lack of access to appropriate healthcare. Such detailed observations assist in customizing benefits for specific circumstances.

By understanding workforce personas, catering to distinct employee groups and leveraging benchmarking studies, organizations can create personalized benefits experiences that foster employee satisfaction and loyalty.

12. Pew Research Center, “Majority of workers who quit a job in 2021 cite low pay, no opportunities for advancement, feeling disrespected.” March 9, 2022

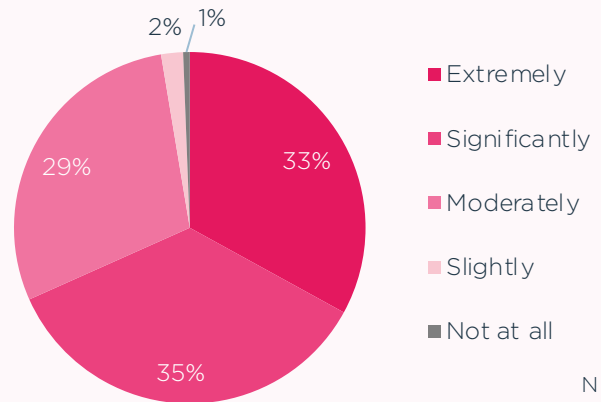
Case study:

For instance, one of HUB’s clients was an organization grappling with escalating healthcare costs and the widespread misuse of emergency rooms for non-critical treatments. The organization implemented a data-driven approach to identify age-related and cultural influences behind the overutilization of emergency rooms. Armed with these insights, it devised tailored communication strategies and benefits design modifications. It launched outreach programs to educate employees about convenient and cost-effective healthcare solutions like telemedicine and urgent care clinics.

The effort led to a substantial reduction in non-critical ER visits, resulting in cost savings, and greater employee satisfaction with the plan. The case illustrates that organizations that harness the power of data analytics are able to make informed benefits-related decisions and increase employee engagement.

A considerable number of organizations are awakening to this truth: 68% of respondents to HUB’s survey say they’re actively advancing employee financial literacy, risk preparedness and wellbeing, with an emphasis on aspects such as debt management and retirement planning.

Q How well is your organization addressing employee financial literacy and financial wellness (managing debt, saving for retirement)?



Financial Wellbeing is Critical to Vitality

Overwhelming financial concerns can exact a hefty toll on employees’ mental and physical wellbeing. This strain is often manifested as reduced productivity, increased absenteeism and workplace accidents. The impact is real, as U.S. organizations should aim for an absenteeism rate of 1.5%¹³ — while the prevailing average is 3.6%.¹⁴

Employees spend roughly a quarter of their work hours coping with financial concerns,¹⁵ and 40% attest that they could be more productive if they didn’t have to worry about their personal finances while on the job.¹⁶

The numbers underscore the urgency for improved employee financial wellbeing, especially considering insurance and healthcare costs are among the top five household expenses. By working toward financial wellness, organizations help their staff feel more confident about their finances and make well-informed financial decisions. This may go beyond personal savings, debt or retirement readiness, as employees also need help managing their insurance options. Connecting employees to solutions like **VIU by HUB**, a personalized digital broker and advisory team that helps employees obtain the right personal insurance to ensure they are covered in times of need.

Although introducing financial education is a positive step, it is essential to discern which programs genuinely elevate employees’ financial wellbeing. Organizations can begin with asking the following key questions:

- 1** How many of our employees live paycheck to paycheck?
- 2** How much do employees spend on housing?
- 3** How much of their paycheck is spent on employee benefits?
- 4** How strong is their retirement readiness?

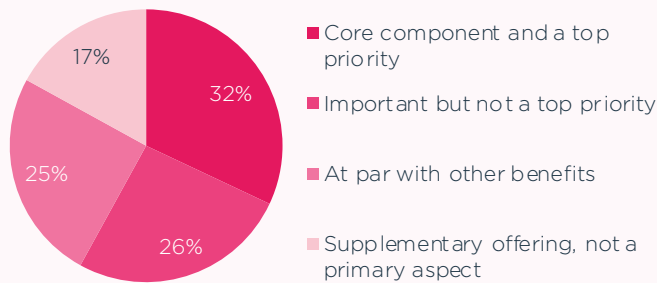
13. Care.com, “What Employee Absenteeism Rate,” August 19, 2022
 14. U.S. Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey,” January 25, 2023 Top of Form
 15. Employee Benefit News, “Employees spend 25% of their workday worrying about money,” April 11, 2022.
 16. John Hancock, “Stress, finances, and wellbeing: driving behaviors that matter,” April 13, 2023.

Robust Retirement Plans Can Strengthen Financial Security

Well designed and managed employer-sponsored retirement plans help boost retirement readiness, foster employee loyalty and position the company as employee-centric.

Despite these advantages, HUB's survey shows that only 32% of respondents identify retirement plans as a core component and top priority of benefits strategy. Regularly reviewing and updating these plans is the norm: 29% do so quarterly, 38% semi-annually and 33% annually.

Q How critical is the retirement plan offering in your organization's benefits strategy?



N = 900

Yet, despite the 2022-enacted SECURE 2.0 Act rolling out more than 90 provisions for employer-sponsored retirement plans, only 53% of U.S. organizations are planning to update their retirement plan or strategy.

And in Canada, only 26% of organizations plan to adjust their Registered Retirement Savings Plan, Defined Contribution Pension Plan or Deferred Profit-Sharing Plan in favor of their employees. Such statistics accentuate the need for companies to reevaluate their financial wellness strategies for a changing environment.

Adapting retirement plans to suit the diverse needs of a multi-generational workforce is more than just compliance; it is an opportunity to elevate organizational vitality and enrich employee experience. Organizations can begin by leveraging data analytics to gauge retirement readiness and identify opportunities for improvement.

The role of Registered Investment Advisors (RIAs) can also be invaluable: They help steer organizations toward decisions that optimize retirement plan outcomes.

Recognizing this, many organizations rely on RIAs for their specialized knowledge of retirement savings plans and strategic advice. In fact, 46% of respondents acknowledge that partnering with financial advisors in shaping retirement plans significantly enhances their operational outcomes.

Workforce Vitality is Essential to Business Success

The dual objectives of cultivating resilient workforces and enhancing organizational vitality will be paramount in 2024 and beyond. Forward-thinking organizations should consider the following:

- 1 Developing long-term strategies for enduring success.
- 2 Crafting personalized benefits that resonate with the varied needs of their workforce.
- 3 Giving employees the tools and resources for them to achieve their personal and professional aspirations.

A large orange rectangular box with rounded corners is centered on the page. It is surrounded by several semi-transparent orange hexagons of varying sizes, some overlapping the box's corners. The word "Resiliency" is written in a bold, white, sans-serif font in the center of the box.

Resiliency

Focus on integrated risk mitigation to
reinforce operational resiliency

Resiliency

In today's rapidly changing world, resilience isn't just a buzzword — it is an imperative. Resilience combines strategic planning with robust risk management, preparing businesses to rebound from setbacks faster. Focusing on resilience not only offers a competitive advantage but also positions companies to seize opportunities.

To gauge the readiness of organizations to tackle today's risks, we asked executives about the specific actions they are taking to be resilient. HUB's survey shows stark gaps. It highlights the need for organizations to widen their focus beyond business operations to better anticipate risks and take the measures to offset these exposures, curb losses and foster growth.

Integrated Risk Mitigation is the Backbone of Resilience

Resilience isn't about isolated efforts — it requires a combination of multiple continuous initiatives. Resilient organizations cultivate a culture of risk awareness, preparedness and mitigation. They use data-driven modeling and forecasting techniques to assess the impact of risks and develop comprehensive business continuity and risk mitigation plans. They plan for changes to the total cost of risk due to rising reinsurance premiums, natural catastrophes, inflation, political risk and more. And they embrace benchmarking, data analytics and alternative insurance strategies to support organizational resilience.

Yet, from risk anticipation to mitigation, organizations are taking siloed steps, missing the bigger picture.

What are the specific actions that your organization has taken to mitigate risks related to growth and workforce vitality?



HUB's Executive Survey reveals that

47%

of companies use insurance for top line protection and business continuity enhancement.

38%

deploy modeling and forecasting techniques to evaluate the potential impact of identified risks.

A similar proportion have tailored insurance programs to trim risk costs, but without the use of modeling and forecasting techniques, they may be sacrificing short-term cost savings at the expense of long-term financial resilience.

The journey to resiliency is dual-faceted: It involves predicting challenges and seizing opportunities. Every company's approach is unique but plotting that course early — and ensuring it is future-ready — is universal.

Business Continuity Planning Plays a Role in Resilience

Is the corporate world truly embracing business continuity? While nearly half of the surveyed organizations use insurance for topline protection and business continuity, a mere 12% maintain a comprehensive plan that can anticipate risks and proactively implement policies and procedures to mitigate them.

Effective business continuity planning enables companies to react promptly to minimize the impact of disruptions. In contrast, organizations without informed or structured business continuity plans often lean on past experiences and may overestimate their preparedness and overlook potential blind spots like climate change, nuclear verdicts, cybercrime, terrorism and civil unrest.

Consider these alarming projections:



Climate change is forecasted to reduce U.S. GDP by 10% by 2100.¹⁷



Between 2022 and 2050, Canada may face GDP losses of \$139 billion due to floods, droughts and severe storms.¹⁸



In the U.S., \$108 billion of assessed property value will be at risk from rising seas by 2100.¹⁹

Businesses today face additional roadblocks: Corporate nuclear verdicts (jury awards of \$10 million or greater) soared to \$18.3 billion in 2022, up from \$4.9 billion in 2020.²⁰ The annual cost of cyberthreats is predicted to rise to \$10.5 trillion globally by 2025.²¹

In addition, the 2023 Global Peace Index found that global peacefulness declined for the ninth consecutive year, with the economic impact of violence amounting to approximately \$17.5 trillion in 2022, equivalent to 13% of the global GDP.²² Amid ongoing global civil unrest, leaders must assess and understand the effect these risks could have on their businesses and livelihood. While these risks can disrupt operations, proactive measures can protect people, property and profitability during these challenging times.

It is evident that resilience is required for survival.

Case study:

One HUB client, a clothing manufacturing company, sought to develop and implement comprehensive emergency action, crisis management, cybersecurity risk and business continuity management plans to ensure operational resilience. In partnership with HUB, the company crafted and executed protection and recovery strategies to minimize potential disruptions in personnel, facilities, IT infrastructure and supply chains. The company conducted an in-depth analysis of existing plans, developed a roadmap for implementation and held training workshops on business continuity management for organizational leaders.

This thoroughly developed set of plans helped the company minimize potential disruptions and reduce its business interruption exposure, making this approach a testament to the power of preparedness.

17. NPR, "The future cost of climate inaction? \$2 trillion a year, says the government," April 7, 2022.

18. Environment Journal, "New research reveals \$139B impact of water risk to Canada by 2050," August 29, 2022.

19. Climate Central, "Sinking Tax Base: Land & Property at Risk from Rising Seas," September 8, 2022.

20. Marathon Strategies, "Corporate Verdicts Go Thermonuclear," March 13, 2023.

21. Forbes, "10.5 Trillion Reasons Why We Need A United Response To Cyber Risk," February 22, 2023.

22. World Trade Organization, "2023 Global Peace Index: Measuring Peace in an Interconnected and Unstable World," July 20, 2023.

Use Modeling Techniques to Forecast and Assess Potential Risks

Modeling (often referred to as catastrophe risk modeling or CAT modeling) is a process for evaluating organizational exposure to risks arising from naturally occurring events (earthquake, hurricane, wildfire, flood, etc.), cybersecurity threats, terrorism, geopolitical situations or other disruptive events. Models use historical data to derive probabilistic or deterministic loss estimates for disruptive events that may impact an organization. Loss estimates derived from catastrophic loss analysis help organizations:

- 1 Identify areas of exposure to catastrophic losses
- 2 Estimate consistent and reliable loss costs for catastrophe-prone areas
- 3 Develop underwriting guidelines that account for catastrophic risk
- 4 Quantify and justify rate filings
- 5 Make informed decisions regarding the purchase of reinsurance and loss limits
- 6 Demonstrate sound risk management strategies
- 7 Identify structures most affected by model loss estimates

Based on loss estimates, organizations can implement mitigation strategies to effectively transfer risk and manage retained risk to minimize the disruptive impact.

Case study:

One of HUB's real estate clients, with a total insured value of more than

\$2 billion



used earthquake loss models to assess its risk.

These models revealed that the average long-term loss potential for the organization was only \$700,000 and that losses from the largest simulated loss event would top out at approximately \$25 million. Through this CAT modeling and analysis, the company learned it needed far less than the \$2 billion it had been purchasing in earthquake insurance.

By choosing to self-insure against the \$700,000 loss potential, and negotiate coverage limits at a higher threshold to support the larger loss potential, the company saved thousands in annual earthquake coverage premiums.

In addition, the modeling helped it pinpoint the locations with the highest risk, enabling the business to take steps to further reduce potential losses.

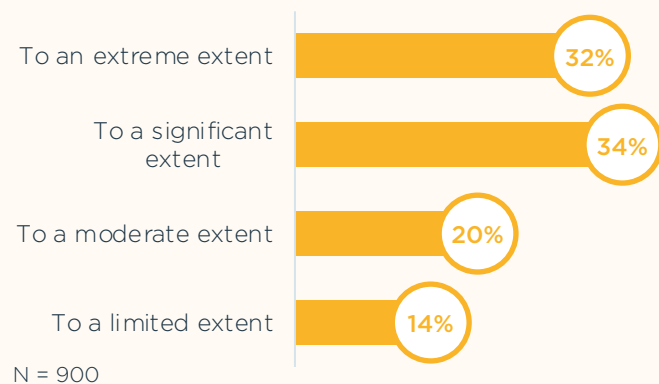
CAT modeling is not just a tool for insurers or specific sectors, it is a strategic instrument for any industry aiming to fortify its resilience in an increasingly unpredictable landscape. It provides a forward-looking perspective on disaster preparedness and empowers businesses to make informed decisions, aligning insurance coverage with actual risks and ensuring a proactive approach to risk mitigation across diverse sectors.

Harnessing Technology Can Boost Organizational Resilience

Technological advancements, driven by AI, are revolutionizing business. While the burgeoning potential of AI to enhance efficiency is evident, it can be a double-edged sword, amplifying or undermining organizational strength based on how organizations define and employ technology. Our survey suggests a gap in tech utilization for risk abatement. While 66% of organizations claim extensive use (those who say they use it 'to an extreme extent' or 'to a significant extent'), only 36% believe they take an impactful yet balanced approach to using it for risk mitigation.

This disparity underscores a broader theme: perceived versus actual preparedness. Companies adept at harnessing technology for risk management certainly have an edge over their less tech-savvy competitors.

Q To what extent has your organization leveraged technologies and services (e.g., AI-enabled contract review, insurance and advisory services), to manage and mitigate risks?



As risks evolve in complexity and scale, technology, especially AI, will become a linchpin for resilience. But organizations must tread carefully, ensuring they combine technological capabilities with human acumen to truly fortify resilience.

C-Suite Alignment is Key to Comprehensive Risk Management

An organization's resilience is deeply rooted in its leadership's dedication to risk management. When CEOs collaborate closely with their executive team, particularly risk, compliance, HR and finance leaders, they inherently enhance resilience across the company.

Case study:

A HUB client struggled to align its risk management strategy with C-suite and management team objectives, which led to operational inefficiencies, risk mitigation challenges, personnel changes, cybersecurity threats and competing priorities.

To gain a better understanding of the actual business risks from people on the ground, the company conducted in-depth interviews with

25 key managers, organized integrated workshops to identify exposures and created committees to promote collaboration.

The initiatives encouraged the senior and mid-level management to align their strategic plans with day-to-day operations. This approach apprised the board of exposures — and their potential organizational impact — and prompted executives to reallocate resources, which helped mitigate exposures and effectively optimize risk management, from both financial and strategic angles.

This case serves as a testimony: An engaged C-suite that actively shapes risk frameworks and communicates them clearly ensures that risk perspectives are interwoven into decisions. It is incumbent upon senior leaders to instill a pervasive risk-aware ethos and culture.

Q Are the objectives of your C-suite or Senior Leadership aligned with the management of risk, insurance capital and human resources strategies?

N = 900



In our survey, 43% of leaders admit to a misalignment between C-suite objectives and their risk, insurance capital and HR strategies. Organizations that lack cross-functional collaboration might overlook risk management integration in their strategic planning. These organizations can benefit from having a third party, such as a trusted broker, help synchronize and align risk strategies with C-suite objectives.

Adaptive ERM is Critical to an Effective Resilience Strategy

Enterprise risk management (ERM) transcends mere risk mapping: It is about understanding how risks intertwine. This approach arms organizations with the insight required to understand, assess and navigate complex risks.

Defining a Resilient ERM Framework

A robust ERM framework involves metric-based monitoring and tracking systems to identify insurable exposures and develop mitigation strategies for retained risks. But successful implementation of an ERM strategy requires full transparency, with a maintained risk register serving as a comprehensive data repository for risk monitoring.

Recognizing the importance of consistent monitoring,

45%

of organizations in North America conduct frequent ERM assessments — 28% quarterly and 17% monthly.

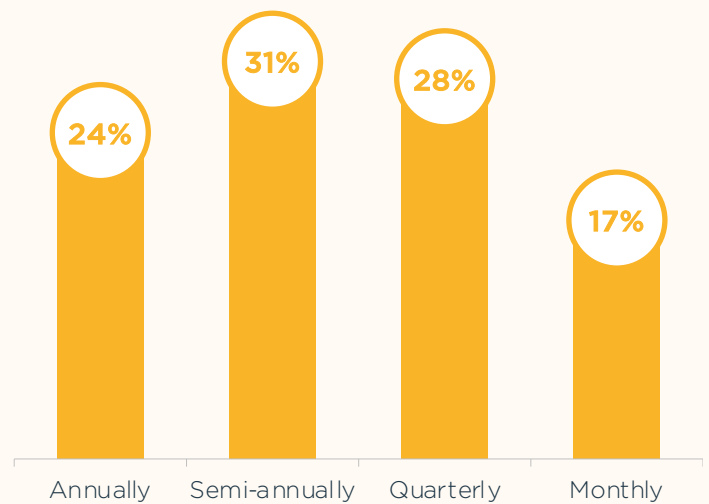
The other

55%

assess only once or twice per year.

Managing risk cohesively and using previous assessments to provide a historical perspective can be challenging, particularly for organizations without a dedicated team of ERM experts. In such situations, ERM software platforms prove invaluable for efficiently handling risk monitoring and historical data retention tasks. However, given the highly tailored nature of ERM, companies that plan to purchase a platform must first determine the precise needs of the company to find the right tool for their business.

Q How frequently does your organization conduct risk or Enterprise-wide Risk Management (ERM) assessments and review them?



N = 900

Larger organizations typically assess risk more frequently than smaller ones. While frequency matters, the depth and quality of these evaluations are key. To truly harness ERM's potential, businesses should craft an ERM framework that is tailored, data-driven and deeply integrated into core decision-making processes.

Case study:

A HUB nonprofit client that faced a number of risks to its resilience took an external auditor's advice when it implemented an ERM program. The framework identified the top five existential risks affecting the organization, including cyber exposure, funding source uncertainties, high turnover, potential loss of funding contracts and increased housing insecurity. This enabled the organization to prioritize, plan and proactively manage critical risks and reevaluate its insurance program to better cover top exposures while retaining risk for lesser exposures.

Consider Leveraging Captives to Strengthen ERM Strategy

Captives play an increasingly vital role in risk management. A captive is an insurance company established by a business owner or a consortium of owners to manage and cover their own risks. This shared ownership structure empowers captives to offer highly tailored insurance, risk transfer and risk management solutions that match the needs of the parent company.

Companies that identify the full range of their exposures through the ERM process may find that a captive offers the best risk protection.

Captives not only offer enhanced customization but also allow organizations to retain underwriting profits and generate investment income, resources that would otherwise flow to external commercial carriers. Additionally, they serve as a strategic tool, enabling business owners to establish new profit centers by offering insurance products to customers or suppliers, thus creating an additional revenue stream.

Develop a Tailored ERM Strategy for Stronger Resilience

Truly resilient organizations understand their specific risks and create strategies to minimize exposures and the related costs. They foster a culture of continuous improvement and accountability, perpetually reevaluating risk assumptions to inform their ERM strategy.

A successful ERM framework should:

- 1 Evaluate every potential risk sector, whether financial, operational or reputational
- 2 Manage risks collectively, not in isolation
- 3 Implement systematic risk management, catering to risks that are both quantitative or qualitative in nature

A robust ERM strategy ensures a comprehensive and participatory approach to identifying, defining and addressing risks within the organization.

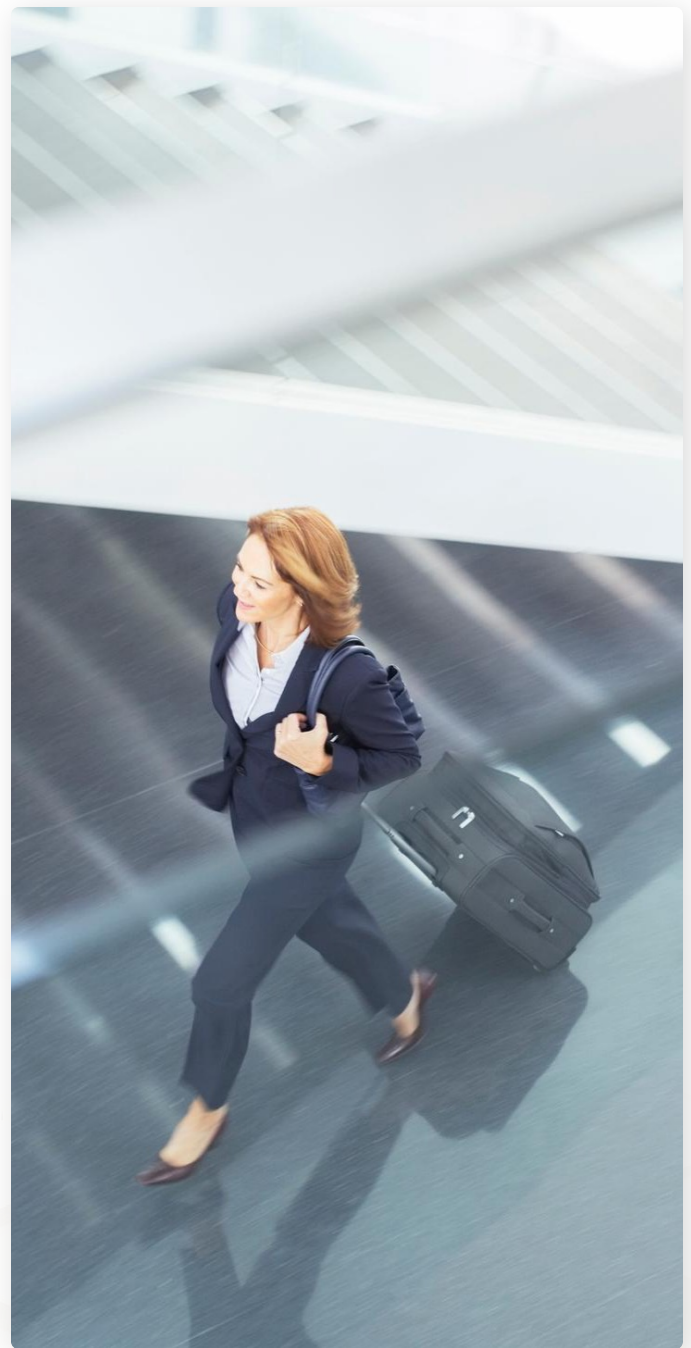


Are you Ready for Tomorrow?

The risk landscape in 2024 will be increasingly volatile and complex. Organizations that pause and take a proactive and comprehensive approach to identifying risks and building resilience, supported by their C-suite, will seamlessly navigate these challenges. A timely examination of the organization's current level of preparedness and identification of any existing gaps is critical for future resilience.

The results of the HUB International 2024 Outlook Executive Survey confirm the need for organizations to bridge the gap between perceived and actual preparedness. As we enter 2024, organizations must take the time to assess their resilience against potential risks and take steps to mitigate exposures. An all-encompassing, data-driven approach that combines financial risk mitigation through insurance, enhanced workforce vitality through personalized wellbeing initiatives, and adaptive ERM strategies will position organizations for success.

Are you ready for tomorrow or does your organization suffer from a state of perceived preparedness? The time is now to reflect on your readiness to take on future risks. Consider the partners you may need to engage to ensure you are taking actionable steps to protect your profits, cultivate a vital workforce and create a more resilient tomorrow.



When you partner with HUB, you're at the center of a vast network of risk, insurance, employee benefits, retirement and wealth management experts who will help you manage exposures in a changing world with tailored solutions and unrelenting advocacy. For more information visit our [website](#).

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