

# Outlook 2025

## Nonprofit

Nonprofits that embrace risk management will flourish.



# What to Expect in 2025

Nonprofit organizations will need to prioritize critical risk management initiatives as economic and reputational challenges grow even greater. They need to prepare for emerging exposures specific to employment-related litigation and technology. With the right business strategies and advisors, nonprofits that lean into the opportunity can confidently achieve their mission and win big in 2025.

**55%**

*Percentage of the Canadian population that trusted nonprofits in 2024.<sup>1</sup>*

1. Imagine Canada, "[Recent Public Polling Offers Insights into Long-Held Perspectives About the Sector](#)," April 15, 2024.

## Agility will be key to navigating ongoing financial uncertainty.

Stubborn inflation, job market volatility and fluctuating donor contributions have left many nonprofits in a tenuous financial situation, forcing them to adopt a wait-and-see approach to funding sources.

Nonprofit organizations are largely dependent on government contracts and donations to carry out their missions, as well as support from a large volunteer staff force. However, ongoing political and economic uncertainty is taking a toll on the sector. The cost of everything — employee salaries and benefits, fuel, rent and insurance — continues to rise, making it difficult for organizations to plan and operate effectively.

Fewer Canadians are donating than ever before — yet more than half of charities can't keep up with demand, and many Canadians are relying on charity for the first time in their lives.<sup>2</sup> Rate cuts announced by the Bank of Canada could help ease inflation at least slightly in 2025,<sup>3</sup> but it will not be enough to solve the nonprofit sector's persistent economic challenges.

Nonprofits need to consider other ways to capture new revenue, such as diversifying their funding sources to be less dependent on declining income from private philanthropy. Foundational giving, for example, has reached nearly \$10 billion annually,<sup>4</sup> which helped offset the individual decline. Organizations can also secure new revenue sources in 2025 by contracting with government agencies for specific services.

Many nonprofits are exploring [mergers and acquisitions](#) with other nonprofits that offer similar services if they cannot overcome current economic pressures on their own. Others are expanding their social service offerings to address immigration or housing, which could enable them to receive more government funding.

According to the HUB International 2025 Outlook Executive Survey,<sup>5</sup> 48% of nonprofits are planning to implement a strategic partnership, merger or acquisition

in the next 24 months. However, these new activities come with increased risk that requires the help of an advisor who understands the potential M&A pitfalls from due diligence to close.

Whether considering a strategic alliance or remaining independent, organizations need to work with industry experts, including an insurance broker who specializes in this sector, to help manage costs. With expenses at an all-time high, nonprofits cannot afford to pay more for coverage they don't need, but they must ensure they are protected against evolving exposures. The right insurance broker will have access to analytics tools that can provide the required level of coverage without breaking the budget.

2. Charity Village, "[CanadaHelps' 2024 Giving Report Reveals the Number of Canadians Donating to Charity Hits Lowest Point in Recent History.](#)" accessed October 13, 2024.
3. CTV News, "[Bank of Canada cuts key interest rate for third consecutive time.](#)" September 5, 2024.
4. Philanthropic Foundations Canada, "[2024 Landscape Report: An Evolving Landscape, Reflecting Canada's Philanthropic Foundations.](#)" accessed October 13, 2024.
5. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.



# A supportive culture will be essential to strengthen a struggling workforce.

Nonprofits need to maintain a strong workforce to be effective, but that hasn't been easy given the sector's financial struggles. While compensation has risen 5.3% since 2023, many nonprofit employees have seen salary increases that don't keep pace with inflation.<sup>6</sup> This has contributed to higher rates of burnout and more people leaving nonprofit employment for better-paying industries.

Nonprofit respondents of the HUB survey acknowledged there is work to be done when it comes to recruitment and retention, with 56% of Canadian respondents and 47% of U.S. respondents identifying it as a key priority that needs to be addressed in 2025.

Organizations must also contend with reputational challenges brought on by a recent increase in employment-related lawsuits. Nonprofits are particularly vulnerable to these claims, depending on the sector they serve, which can cause serious reputational damage, hurting their ability to attract and retain staff. And volunteer participation has been negatively affected in recent years too, largely because of the pandemic.<sup>7</sup>

To counter these challenges, organizations must foster a people-centric culture that protects its staff and volunteers. This can include developing a compelling [employee value proposition \(EVP\)](#) and total rewards strategy to generate excitement within the organization where everyone feels not only valued but also like they are contributing to the greater cause.

Also, utilizing employee benefits analytics can provide important insights into what benefits employees want or need, such as mental health support, without increasing costs. According to the HUB survey, more than half of

## Case Study

A service-based organization was challenged in providing benefits that lined up with for-profit companies in the area. Beyond the mission, the organization needed to be smarter on the benefits they offered. Using [HUB's Workforce Persona Analysis™](#), they identified a few subgroups of employees on which they could focus. Improving their specific employee experience by adding low-cost and no-cost access benefits immediately created goodwill. Solving certain challenges — such as offering backup childcare and enhancing PTO/leave programs to allow grandparental leave — bolstered the reasons they stayed in the organization.

all nonprofit respondents are using benefits analytics to streamline costs, improve individual outcomes and keep their healthcare plan solvent.

Providing access to personal insurance and financial wellness tools can also be a differentiator for employers to address a major component of employee stress, enhance recruitment and increase productivity.

6. Charity Village, "[2024 Canadian Nonprofit Sector Salary & Benefits Report](#)," June 2024.

7. The Philanthropist Journal, "[Volunteerism: In crisis or at a crossroads?](#)" March 2023.

# Holistic risk management planning remains essential to achieving goals.

A comprehensive risk management strategy is crucial to ensuring nonprofits maintain a strong financial performance and reputation — and can ultimately determine their long-term resilience.

Unfortunately, many nonprofits are still taking a piecemeal approach to preparing and responding to the many risks they face, whether it be protecting their employees or the populations they serve, responding to disasters or preparing for future challenges like climate change or cyber threats. Implementing an [enterprise risk management \(ERM\)](#) strategy creates alignment within the organization — from the CEO and board members to staff and volunteers — which is critical to managing the inherent risks of operating a nonprofit.

A well-structured insurance program with adequate limits is an integral part of a nonprofit's comprehensive risk management strategy, but limited carrier capacity for critical coverages like [sexual abuse and molestation](#) and higher insurance rates has made it difficult for many nonprofits to get the coverage they need.

With sexual abuse and loss payments against youth-serving organizations reaching as high as \$10 million in some cases, capacity is unlikely to improve anytime soon.<sup>8</sup> In fact, 92% of carriers expect the sexual abuse and molestation market will harden in the next three years, with 85% of carriers projecting higher premiums and 78% anticipating increased underwriting requirements that include organizational abuse risk processes.<sup>9</sup> As insurers pare back on their policy limits and force higher self-insured retentions, risk management takes on greater importance to protect the corporate treasury. Companies that do not implement proven sexual abuse prevention policies will face serious challenges ahead.

Nonprofits must also work proactively to protect against cyber-related threats as their dependence on technology increases, including artificial intelligence (AI), to run their

## Case Study

A nonprofit that specializes in working with at-risk youth reached out to HUB fearing it was under a ransomware attack, exposing vulnerable patient and resident data. HUB immediately put an action plan into place to minimize access to emails and other sensitive information. After bringing in forensic accountants, it was determined there was no data stolen during the event.

The client not only was relieved that the impact was minimal and resulted in a total claim of under \$60,000, but it also took the opportunity to train its staff to be better prepared for the future.

organizations and process financial transactions. The majority are simply not doing enough to mitigate cyber risks and the financial and reputational damage that comes with it.

According to the HUB survey, only 29% of respondents from nonprofit organizations have cyber insurance to protect their organization.

8. GivingUSA, "[5 Takeaways and Next Steps from the Giving USA 2024 Report](#)," July 2, 2024.

9. Independent Sector, "[Health of the U.S. Nonprofit Sector](#)," accessed October 3, 2024.

# Navigating Your Next Steps

HUB nonprofit insurance and risk management specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2025. Here are some initial considerations:

1

Develop a comprehensive risk plan.

A thorough [enterprise risk management \(ERM\)](#) process can help identify exposures and help showcase your organization to the marketplace as an enlightened, risk-savvy buyer. Work with a broker who understands how to strategically approach risk and identify gaps in the organization.

Personalized benefits can differentiate your organization from other nonprofits. Adopt a creative approach to benefits — such as funding them through a human capital endowment — to deliver more affordable benefits that give you an edge in recruiting and retaining talent.

2

Create a personalized benefits strategy.

3

Rely on your broker in a crisis.

An incident can be devastating to a nonprofit's reputation. Take advantage of your broker and insurer's expertise if an event occurs. They can assist with developing a thorough crisis response plan to minimize financial and public relations impact.

Consistent communication with your insurance broker will help identify and mitigate issues in advance of renewal, position your organization to get the right coverage at an affordable rate and eliminate surprises. 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.

4

Be transparent with your broker.

# Canada Commercial Rate Guide

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Canada.

Below is our outlook on insurance rates in Canada for 2025. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	2025 Canadian Rate Guide	Insights
<b>Commercial Automobile: One to five vehicles</b>	Flat to +5%	Inflation and vehicle thefts continue to push rates upward. Rate increases are being filed in most provinces due to an increase in the frequency of claims and the amount of repair bills rising.
<b>Commercial Automobile: Six or more vehicles</b>	Flat to +5%	Inflation and theft continue to put pressure on rates. An increase in the frequency of claims and higher repair costs have driven rate increases.
<b>Liability</b>	-5% to Flat	Better performance in general liability has helped insurers offset losses in property insurance. Terms and pricing are more flexible as carriers seek to diversify their business.
<b>Excess Liability</b>	Flat	Excess liability premiums remain stable, with variability depending on exposure and attachment points. Excess layers with U.S. exposure may see rates increase.
<b>Commercial Property</b>	-10% to Flat	Most segments in commercial property are seeing rate reductions, but property in catastrophe-prone zones is still experiencing rate increases. Rebuilding costs have steadied, but undervalued properties remain a concern, as these properties may not be insured to cover full rebuilding and replacement costs.
<b>Residential/Habitational Property</b>	Flat to +5%	In light of recent natural catastrophes, premium increases and stricter terms and conditions are expected to continue.
<b>Catastrophic Perils</b>	Flat to +5%	Given the increased frequency and severity of weather events, rate increases are expected in catastrophe-prone areas. Climate change continues to push rates higher.
<b>Environmental</b>	-10% to Flat	The environmental insurance market remains favourable as insurers are eager to write new business. However, terms are tightening; insureds need to carefully review exclusions and restrictions at renewal.
<b>Directors &amp; Officers: Private</b>	-10% to Flat	D&O coverage for private companies remains soft with ample capacity as carriers compete to keep business. Rates will be flat at renewal or dropping when there's competition for the business.

# Canada Commercial Rate Guide

Coverage	2025 Canadian Rate Guide	Insights
<b>Directors &amp; Officers: Public</b>	-10% to Flat	Public companies continue to see rate cuts or no increases at all due to increased competition. There is plenty of capacity, and underwriters are pricing with favourable terms and conditions.
<b>Cyber Liability</b>	-10% to Flat	Rates continue to reflect improvement in the cyber market. Carriers will lean toward flat rates at renewal unless competition for business drives rates downward.
<b>Inland Marine</b>	-5% to Flat	Despite trending downward overall, rates are rising in some geographies, largely due to the increased frequency and severity of weather events in catastrophe-prone locations, as well as an increase in theft.

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

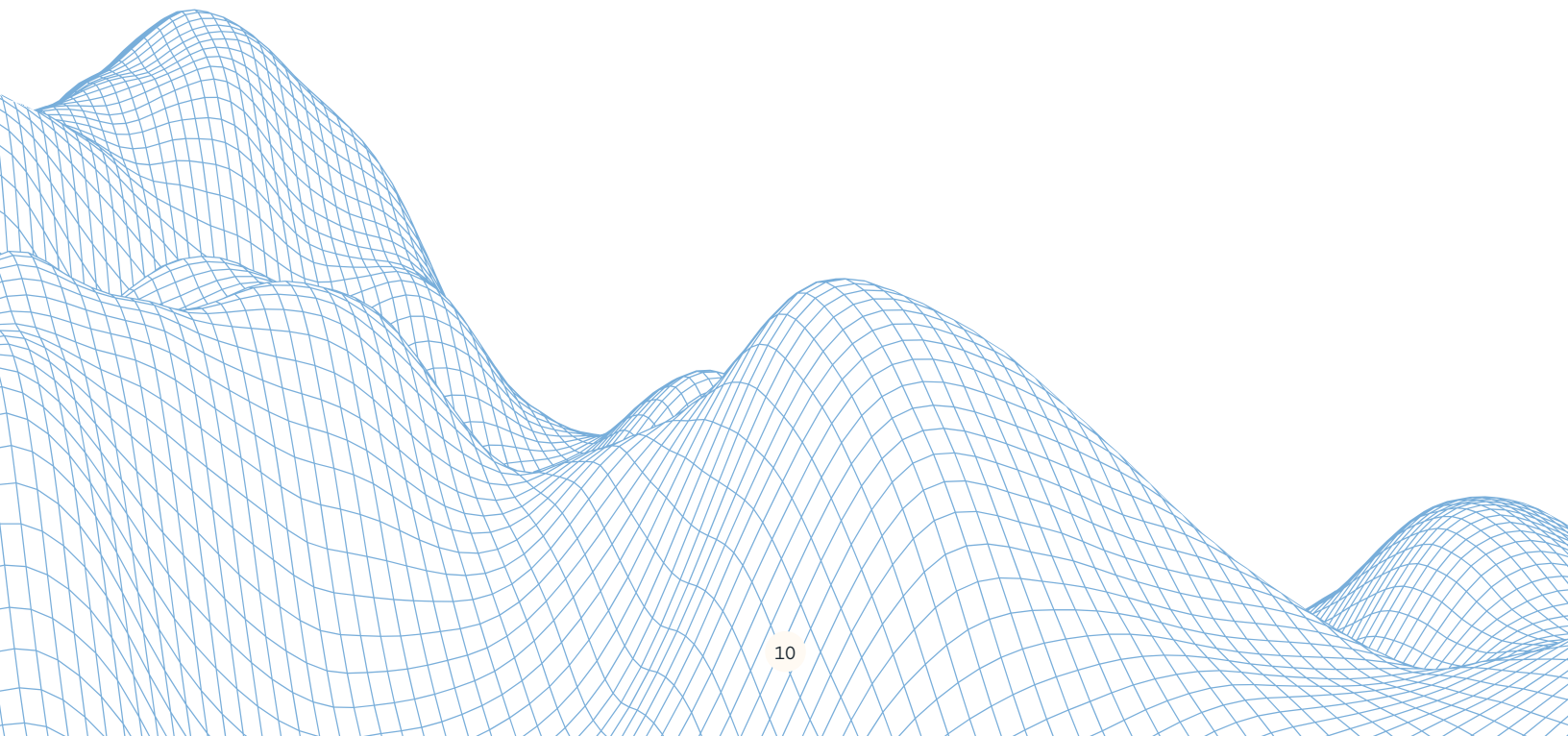
# Industry Perspective

Business	2025 Rate Guide	Insights
<b>Agribusiness</b>	-10% to +5%	Additional property capacity is available for best of class construction and protection. Unprotected frame properties remain challenging to cover.
<b>Cannabis</b>	-10% to +10%	<p>Insurance rates for cannabis operations will vary depending upon the type of business and coverage. Commercial auto coverage is likely to rise 5% to 10% due to worsening loss trends. However, insureds may be able to negotiate discounts for general liability insurance and package coverages.</p> <p>Despite an improving market overall, property insurance rates in cannabis are likely to increase as much as 10% due to some significant losses. Following market trends, cannabis insureds will enjoy rate relief for D&amp;O and cyber coverage.</p> <p>Stock throughput insurance rates will rise about 5% to 15%, with rate increases at the higher end for perishable or combustible stock.</p>
<b>Construction</b>	-5% to Flat	When construction operations put their business to market, there may be rate decreases. Several factors will drive reductions in rates: increased capacity, favourable claims experience and a more competitive environment.
<b>Education</b>	-10% to Flat	The property market is competitive, giving rate relief for educational institutions. Rates for cyber and D&O are also declining, giving institutions an opportunity to consider fortifying coverages.
<b>Entertainment &amp; Sports</b>	-5% to +10%	<p>After years of rate increases, the market for property insurance in entertainment and sports has leveled out, with slight decreases or slight increases for 2025. General liability coverage will depend on loss history, with rates falling 5% or rising up to 10%.</p> <p>Excess liability coverage insurance rates will be flat or drop slightly. D&amp;O and cyber insurance will follow general industry trends, with rates stabilizing or falling as much as 10%.</p>
<b>Financial Institutions</b>	-10% to +5%	<p>The industry will benefit from trends affecting insurance overall. D&amp;O rates will drop as much as 10% due to strong competition and favourable conditions for insureds, while professional liability rates will reflect aggressive bidding for business.</p> <p>Low claims activity for Canadian private equity firms has attracted capacity for general partner liability coverage. However, firms with U.S. presence are likely to see reduced capacity.</p>
<b>Healthcare</b>	-5% to +10%	<p>Rates for property insurance in healthcare will rise, although the increases are expected to be small. General liability coverage will also increase slightly, with a high rate of renewals; insureds may see a 5% to 10% decrease if they go to market for a lower rate. The same is true for E&amp;O insurance in healthcare.</p> <p>Excess liability rates are expected to remain stable.</p>

# Industry Perspective

Business	2025 Rate Guide	Insights
<b>Hospitality</b>	-15% to +10%	<p>A wide range of outcomes in hospitality reflects different market conditions. Underwriters are competing for business for property, general liability and excess liability insurance, driving down rates as much as 15%.</p> <p>Meanwhile, auto insurance remains challenging in some regions though rate increases for larger fleets should be minimal. Like for cyber insurance as a whole, the cyber market in hospitality is also competitive, but can be challenging for hotels, as the risk is shared between the owner, manager and banner.</p>
<b>Real Estate</b>	-15% to Flat	<p>A competitive market will continue to drive property rate reductions for best-in-class properties with favourable loss histories. General liability rates for real estate will remain relatively flat and insureds can negotiate reductions for best-in-class properties.</p> <p>Underwriters are competing for business in excess casualty, moderating or reducing rates for insureds without U.S. exposure.</p> <p>And environmental coverage for property owners could see rates fall as much as 15%, particularly for low-risk residential properties.</p>
<b>Transportation</b>	Flat to +5%	<p>The transportation sector is in a very competitive market cycle. Companies that put their business out to market are likely to get better rates than those simply renewing with their current carrier.</p>

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



# HUB Nonprofit

When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB nonprofit insurance specialist.

**\$550M**

in commercial insurance premium brokered by HUB

**50,500**

insurance policies managed

**20,000**

nonprofit clients

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