

Markets in Focus

Q3 2025

HOSPITALITY

Insurance Pricing &
Market Update



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INTRODUCTION

Contrary to the optimistic economic forecasts that emerged in Q1 of 2025, the hospitality sector is looking at a more sobering reality for the year. Industry experts and executives predicted that 2025 would mark a turnaround for hotels, restaurant, and casinos, with expectations of increased traffic, sales, and profitability in-house that would drive investment and acquisition activity. However, early optimism has dimmed as economic turbulence and operational challenges reshape the business landscape for restaurants, bars, hotels, and casinos.

Several major hotel companies have downgraded their 2025 RevPAR guidance in Q1 earnings reports, citing ongoing economic uncertainty.¹ This trend was further reinforced when CoStar and Tourism Economics downgraded their 2025 and 2026 growth projections for U.S. hotel top-line performance metrics amid "elevated macroeconomic concerns." These downgrades signal a fundamental shift from the sector's initial confidence to a more cautious, risk-aware posture.²

Both domestic and international travel to the U.S. is down. U.S. consumers have pulled back on spending, which has had an impact on travel but not as great on dining out. The decline in international travel seems directly related to change in U.S. policies under the current administration contributing to a growing wave of negative sentiment toward the U.S. among potential international travelers. Within the hemisphere, travel to the U.S. from Canada and Mexico has plunged over 25% and while travel from Europe and UK contracted over 11%.³

Restaurants have experienced an uneven year so far, showing signs of growth in sales even with a decrease in traffic,⁴ yet forecasts predict a bearish outlook for the second half of the year.⁵ Employment is up, particularly in limited service, quick-service, and fast-casual establishments, while full-service restaurant employment remains below pre-pandemic levels.⁶ While the uncertainty of tariff policies looms heavily over the industry, analysts and executives still forecast modest growth overall for 2025, expected the increase to take place in Q3 and Q4.⁷

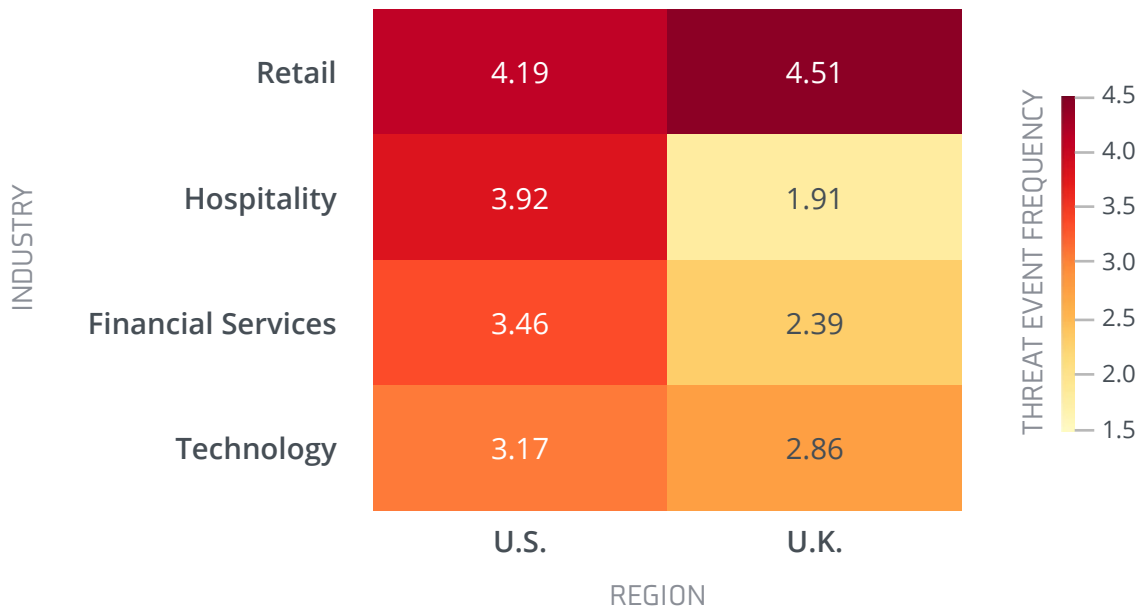


TECHNOLOGY'S MIXED BAG

The hospitality industry remains a high frequency target of cyber-attacks due to the to the large volume of sensitive customer data handled and stored. The average cost of a data breach in the hospitality sector reached \$3.36 million in 2023, a 14% increase from 2022. In May, Krispy Kreme released information about a data breach the company discovered in late November 2024. The company reported that over 160,000 people were affected by the event, with both customer and employee information at risk including social security numbers, financial data, IDs, and health records. Krispy Kreme said the event affected operations at some locations and estimated costs incurred so far to be \$14 million, which, the company said will be covered in part by its cyber insurance policy.⁸ Despite the risks that technology brings, the industry is leaning into AI as a means to enhance customer experience both online and in-store. The expectations are brands will employee less workers while relying more third-party businesses to gain improvements in efficiencies for inventory, management, with the eye to reduce costs.⁹ New technologies may also provide increased security, with AI employed for secure connections and blockchain encryptions for storing data.

One of many cyber-criminal organizations, ALPHV and its subgroup Scattered Spider exemplify the modern cyber threat: agile, identity-focused, and capable of bypassing even mature security programs through a mix of human manipulation and control evasion. These groups were behind the MGM Resorts and Caesars Entertainment breaches in 2023 and they continue to focus much of their efforts on hospitality companies.

SCATTERED SPIDER THREAT EVENT FREQUENCY

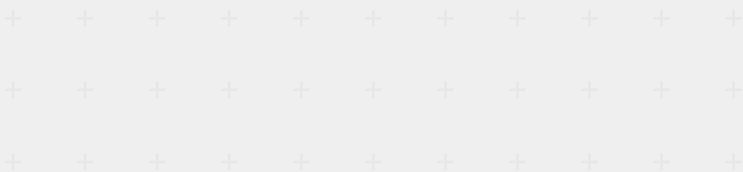


Source: Safe Threat¹⁰

MARKET OUTLOOK

PROPERTY

- + Property rates are trending down 15-20% after benefiting from strong underwriting practices. The downward trend is balancing out rate increases in other lines.
- + Coastal or wildfire-prone areas are experiencing greatest declines from rate increases over the past few adjusting for adequate price.
- + Non-catastrophe prone areas are now starting to reflect increases in rates as underwriting performance after minimal rate increases over the few years.
- + Shared and layered coverage remains prevalent, particularly for convective storm risks. London and Bermuda markets are taking on some of these risks. Higher deductibles and self-insuring/self-funding are being utilized creatively to manage risks and costs.
- + Some stability occurred in Q4 as new capital entered the market and insurer profitability.
- + Percentage deductibles rose significantly between 2019 to 2023, seeing rates triple or quadruple, but the market stabilized, and percentage deductibles have reduced.¹¹
- + Capital providers are optimistic regarding property, pursuing growth and driving competition.¹²



GENERAL RATE CHANGE ESTIMATES

Non-CAT exposed property with favorable loss history	Flat to up 5%
CAT exposed property with favorable loss history	Down 15% to 20%

CASUALTY



General Liability

- + Restaurant casualty rates are up 40% on average. The general liability rates are increasing due to frequency and severity claim trends. Nuclear verdicts and increased litigation has caused carriers to restrict their appetites in the restaurant space.
- + Coverages, like liquor liability, are limited or no longer available in certain states due to increased litigation and severity of claims settlements.
- + Rates for bar establishments are increasing, due to carrier appetite.
- + Hotel general liability limits are dictated by brand requirements, with multi-unit owners requiring limits as high as \$100M.
- + Due to claim frequency and severity coverage restrictions, including exclusions, are becoming more common with assault, battery, sexual abuse, and molestation coverage.
- + Georgia is expected to enact stricter tort reform legislation this year, following similar measures passed by Florida in 2023, though the legislation’s impact will likely take some time to affect claims costs.
- + Tort reform advocates hope Georgia and Florida’s example will lead to greater reforms nationwide, but changes across states is likely to depend on influence of differing advocacy groups.



Excess Liability

- + The casualty market is experiencing a hardening cycle due to social inflation, and growing claims severity. Insurers are scaling back available capacity as a result.
- + The excess and surplus market is seeing increased premium year over year and reduction in market share.
- + Umbrella premiums rose by 9.5% in Q1 2025, following an 8.7% increase in Q4 2024.¹³
- + One factor driving higher umbrella rates is the concern over third-party litigation funding.¹⁴
- + Nuclear verdicts continue to impact underwriting, making it difficult for some businesses to secure excess coverage.¹⁵

GENERAL RATE CHANGE ESTIMATES

General Liability with favorable loss history	Up 5% to 25%
General Liability with non-favorable loss history	Up 40%+
Umbrella & Excess Liability	Up 10% to 40%



Workers' Compensation

- + Workers' compensation decreased an average of 2.6%, the largest of any P&C line.
- + Workers' compensation continues to drive profitability for the industry as rates have been decreasing steadily for over 15 years, due to improved injury results.
- + Lost-time claim frequency continues to follow a long-term declining trend.¹⁶
- + Workers' compensation market remains competitive as insurers pursue business with significant capacity available.
- + Profitability and continuing stability of workers' compensation is helping to level out more volatile results in other lines.
- + Workers' compensation laws vary by state, and employers must ensure compliance with reporting requirements to avoid penalties. Texas has unique non-compulsory insurance rules.
- + Delayed reporting can increase claim costs significantly, as medical-only claims may escalate to lost-time claims, leading to higher permanent impairment ratings and increased insurance payouts.
- + States may offer premium credits or allow benefit reductions for employers with drug-free workplace policies, but delayed reporting can impede drug testing.

GENERAL RATE CHANGE ESTIMATES

Workers' Compensation

Down 3% to flat





Auto

- + Commercial auto, along with umbrella, posted the highest rate increases in Q1 25.¹⁷
- + Nuclear verdicts are impacting commercial auto, with carriers concerned about the increasing third-party litigation funding in fueling claims and lawsuits.¹⁸
- + Carriers are limiting their exposure on large fleets, regardless if other coverage lines accompany the placement.
- + Auto underwriting will remain disciplined in order for insurers to achieve price adequacy in a challenging market.¹⁹

GENERAL RATE CHANGE ESTIMATES

Auto with favorable loss history	Up 10% to 20%
Auto with non-favorable loss history	Up 20%+

EXECUTIVE RISK



Cyber

- + Krispy Kreme has so far spent \$3M in remediation and incurred \$11M in lost revenues from last year's cyber event.
- + Rates remain competitive and flexible but carriers are looking at third-party contracts for risk exposure.
- + Social engineering and ransomware continue to be the most prevalent claims.
- + Claims continue to increase over the past 12 months, with third-party vendor exposure being the number one cyber threat.
- + Third-party related cyber-attacks accounted for 31% of all claims and 24% of material losses.²⁰
- + Organizations with strong IT security and privacy policy compliance are benefiting from a stable and insured-friendly market.
- + Carriers are starting to limit their exposure to data/privacy claims if insureds do not outline a clear strategy in security controls.

GENERAL RATE CHANGE ESTIMATES

Cyber	Down 2.1% to flat
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MAJOR CLAIMS IN THE SECTOR

Nuclear verdicts are surging. In 2024, there were a record 135 cases where verdicts against corporate defendants exceeded \$10 million, a 52% increase from 2023, the most since 2009.²¹ These verdicts totaled \$31.3 billion, a which is a staggering 116% increase in one year, with a median award of \$51 million, up from \$44 million in 2023. Beverage and entertainment industries were among the hardest hit. Meanwhile, Florida saw a decline following comprehensive tort reform, dropping from the second to the tenth position in nuclear verdict rankings.

- + There were 135 nuclear verdicts of at least \$10M awarded in 2024, a 52% increase from 2023.
- + 55 industries saw a nuclear verdict, up from 48 in 2023.
- + Social influencing factors include corporate mistrust and desensitization to large numbers, and Millennial and Gen Z jurors more pro-plaintiff.²²

**+ WRONGFUL DEATH
\$31.2 MILLION AWARD**

Decedent was on vacation with his wife. After drinking, he wandered onto the property of the neighboring hotel and attempted to climb through a window. He got stuck and was eventually asphyxiated. Jurors awarded decedent’s family \$31.2 million.²³

**+ PREMISES LIABILITY | NEGLIGENCE
\$15 MILLION AWARD**

Plaintiff slipped and fell while at a casino. She alleged she ended up suffering from CRPS due to the leg injury sustained from the fall. Jurors awarded plaintiff \$15 million.²⁴

**+ PERSONAL INJURY
\$50 MILLION AWARD**

A Los Angeles jury awarded the plaintiff \$50 million after determining Starbucks was 100% liable when suffering severe burns from a hot tea spill at a Starbucks drive-through window. The plaintiff required multiple skin grafts and other medical treatments.²⁵





BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase renewal success.



PARTNER WITH INDUSTRY EXPERTS

When placing the specific risk, it is important to work with your broker's industry experts who understand the business and the market. Collaborating with a team that can best represent your risk and partner with your operations is more critical than ever in this disciplined market.



HIGHLIGHT CYBER SECURITY

IMA has a team solely dedicated to managing cyber risks. They offer expert assistance, including coverage analysis, economic loss exposure benchmarking, contract language review, in-depth cyber threat analysis, and strategic development of comprehensive, high-value cyber insurance programs.



CONTRACT REVIEW

Our contract review team adds value to our clients' overall risk management program by ensuring the indemnity language is market standard and doesn't expose our clients to unforeseen losses that may not be insurable.



ENGAGE WITH RISK CONSULTANTS & PROACTIVE RISK MANAGEMENT

In today's dynamic business environment, working with a risk consultant is a proactive strategy to minimize exposure and safeguard assets before a loss occurs. Clients should look to partner with a dedicated risk control team who has experience in addressing potential vulnerabilities and enhancing resilience ahead of claims events.



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