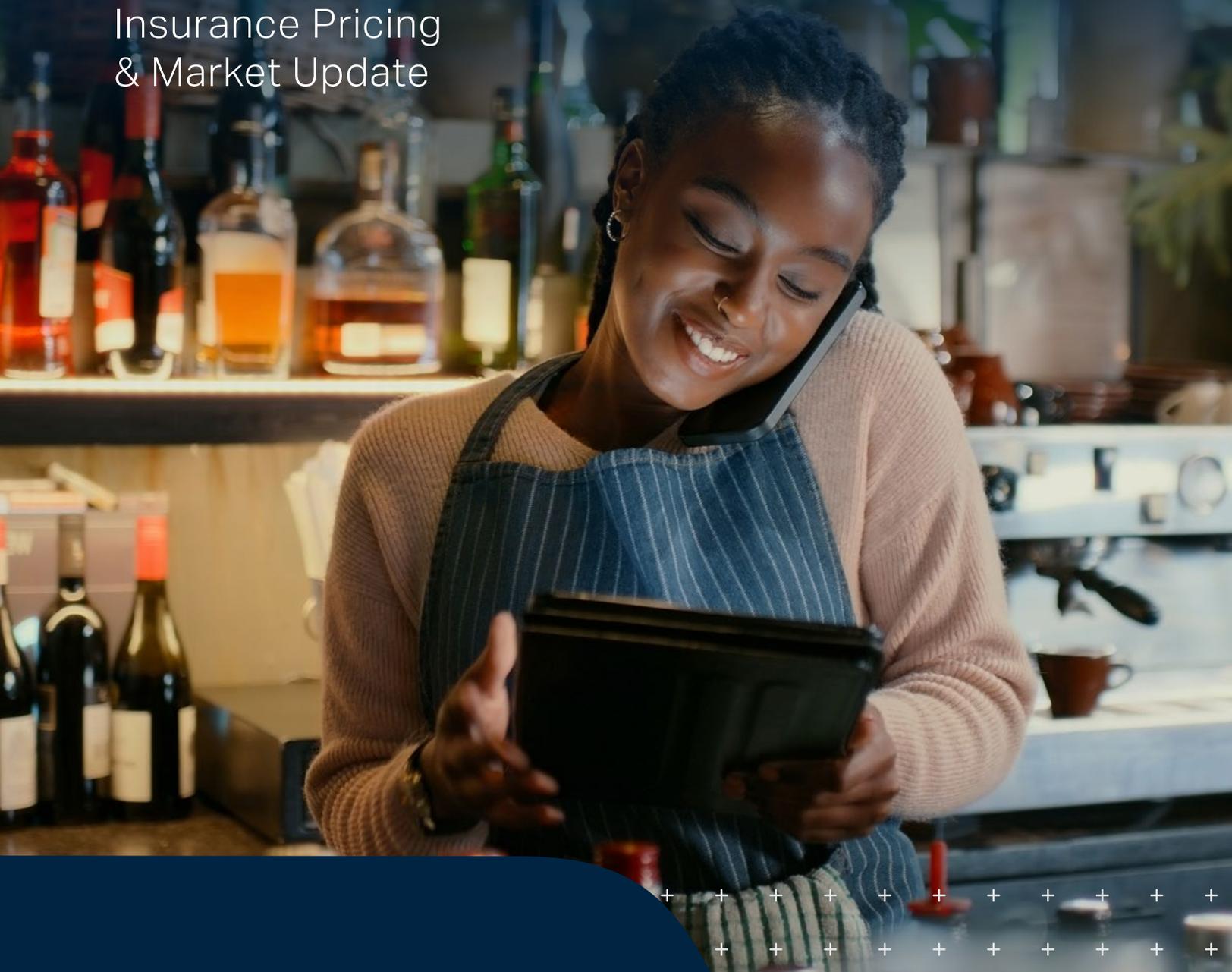


# HOSPITALITY

Insurance Pricing  
& Market Update



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# INTRODUCTION

Industry experts and executives predict that 2025 will be a good year for the hospitality industry. This sector is expected to realize increased traffic, sales, and profitability, which may fuel an increase in investment and acquisition activity. Hotel and restaurant brands will respond to consumer demands with an increased focus on overall quality and delivering unique experiences. Increased reliance on technology should benefit customer experience and boost margins. An expected increase in travel could also provide a positive outcome for this industry.

## RESTAURANTS AND DRINKING ESTABLISHMENTS

After a few difficult years, restaurants and drinking establishments began to see improvements in traffic, costs, and profits in 2024. Lowering inflation helped stabilize costs while increased use of technology yielded front of the house (FOH) and back of the house (BOH) improvements. These trends are expected to continue in 2025. Consumers are seeking value in food quality and a greater variety in food options as well as more unique experiences. Improving revenue and lower inflation may help to drive M&A activity.

Technology is helping restaurant efficiency and productivity. Automation and AI are aiding BOH from inventory to cost modeling, and smart appliances to staffing. Establishments are more readily adapting consumer facing technology as well. Self-service technologies are becoming common in QSR and fast-casual brands but also being used in more upscale restaurants for seating and ordering.

The impacts of tariffs overhangs the industry creating issues from pricing to supply. The United States imports nearly 20% of all its food, of which 45% comes from Mexico, Canada, and China.<sup>1</sup>

## HOTELS AND CASINOS

Travelers looking for immersive experiences will drive hotel and casino business in 2025. Group travel will also increase business. This travel is generating from multigenerational vacationers to sports tourism, with the latter a surging niche for the industry. Urban destinations should see an uptick over the past few years, which may affect resort business. Corporate and convention business should continue to improve, especially in second tier cities.

Growth may be slower in first half of the year than the second half, but the overall expected occupancy is estimated to reach 63% and RevPAR up 1.5%. Luxury brand hotels are forecasting strong growth and mid-level hotel brands should do well too, especially for consumers seeking better pricing with an experience. Growth will continue to be strong for extended stay hotels which are seeing increases in occupancy, construction, and private equity investment.

Lower interest rates could aid construction and M&A activity. Brands are likely to favor renovations over new builds, as they look to provide amenities desired by consumers such as entertainment, dining to spa related experiences targeted across age groups. There is growing interest in luxury properties by private investors as well as real estate investment trusts (REITs).



# MARKET OUTLOOK

## AVERAGE PREMIUM CHANGE, Q4 1999-Q4 2024



Source: CIAB Commercial Property/ Casualty Market Index Q4 2024<sup>2</sup>

### PROPERTY

- + While property settles into a softer market, it continues to be a top concern for insurers heading into 2025. Other areas of concern include cyber threats, environment, and storm activity related to climate change.<sup>3</sup> Insurers may need to weigh quality of risk with broadening their premium volume.
- + Competition in the property market can be attributed to aggressive growth goals on the carrier side and a desire to compete after years of rate hikes. Additionally, markets pushed for insured's assuming more risk with larger deductibles and due to this, carriers have insulated themselves by eliminating attrition.
- + Net written premiums for carriers are increasing at a slower pace year over year. Chubb reports that their written premiums for the P&C market increased 7.7% from 2023 to 2024.<sup>4</sup>
- + According to a Nearmap analysis, Hurricane Milton caused property losses affecting over 234,960 properties. The total estimated overall loss of \$54 billion, with \$16 billion paid by insurers. The remaining \$38 billion equates to insured's retaining losses with deductibles or being uninsured.
- + Catastrophe losses will continue to impact underwriting performance but with lower increases overall compared to 2024.<sup>5</sup>
- + California wildfires are predicted to impact insurer capacity and has impacted reinsurance capacity sooner in the year than typical, making hurricane season riskier than normal.

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## GENERAL PRICING ESTIMATES

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

## CASUALTY



### General Liability

- + Capacity is available and selective. Markets are implementing higher retentions and stricter terms, with a desire to add on assault & battery and sexual abuse exclusions while prices are increasing for frequency of claims.<sup>6</sup>
- + Severity, or nuclear verdict trends, continue to rise, further feeding the need for rate increases.<sup>7</sup>



### Excess Liability

- + Umbrella and excess markets also continue to narrow in hospitality appetites.
- + Follow form restrictions are becoming more wide-spread, including the assault & battery, sexual abuse, and human trafficking limitations on coverage.
- + Verdicts over \$10 million on average continue to push higher towards the \$25 million mark.
- + Liquor liability pricing continues to rise due to continued loss trends.

## GENERAL PRICING ESTIMATES

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



## Workers' Compensation

- + Workers' compensation experienced an average loss cost decrease of over 9% in 2024. Estimates expect a more modest decrease of 2% in 2025.<sup>8</sup>
- + Workers' compensation premiums may rise in 2025 due to the combined effects of wage inflation, historically low rates, and the growing size of primary claims when compared to premiums. This soft line of insurance may be coming to an end soon.

### GENERAL PRICING ESTIMATES

Workers' Compensation	Down 3% to flat
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## Auto

- + Commercial auto remains unprofitable, with the direct incurred loss ratio through 2024 Q3 the second highest in 15 years.<sup>9</sup>
- + Rising social inflation continues to pressure this line, prompting insurers to maintain disciplined underwriting to mitigate exposure.
- + States with high nuclear verdicts, such as California and Texas, are expected to experience greater rate increases and reduced capacity.

### GENERAL PRICING ESTIMATES

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

## EXECUTIVE RISK

### \*\*\* Cyber



- + The cyber threat continued to escalate in 2024, with increases in both the frequency and severity of claims.<sup>10</sup>
- + Cyber premiums decreased in Q4 2024 an average of 1.8%.<sup>11</sup>
- + More carriers are providing primary cyber limits as part of their participation in package policies.
- + Businesses across all sizes experienced rising claim frequency and severity. Those with under \$25 million in revenue saw moderate increases, while mid-sized companies (\$25 million to \$100 million) faced a 32% rise in frequency and a 9% increase in severity.<sup>12</sup>
- + There has been a rise in privacy litigation surrounding the collection, use, and storage of biometric information including fingerprints, iris scans, and hand/face geometry. Additionally, litigation is increasing over the unlawful collection of data, such as the use of tracking technology or targeted advertising technology to collect, use, or share information without consent.
- + In 2024, the number of data privacy-related lawsuits surged, showing no indication of slowing down in the upcoming year. Federal courts alone handled over 1,970 data privacy lawsuits, with numerous additional cases filed in state courts. Many of these lawsuits challenge the use of website technologies.<sup>13</sup>
- + The average ransomware payment reached \$850,700 in 2024. When including downtime and recovery costs, total related losses often exceeded \$4.91 million.<sup>14</sup>

## GENERAL PRICING ESTIMATES

Cyber

Down 1.8% to flat



## Employment Practices Liability (EPL)

- + In the post-pandemic era, the private company management liability insurance market has experienced continued improvement, fostering a competitive landscape.
- + While the “buyer’s market” is expected to remain through 2025, it is undergoing significant transformation.
- + As insured-friendly market conditions enter their third year, it is questionable if continued premium reductions are sustainable, prompting carriers to approach further cuts with caution.
- + Increased capacity is driven by new entrants, including established carriers shifting to capture market share in the profitable private management liability sector.
- + Emerging players like MGAs and Insurtech are reshaping the competitive landscape, harnessing technology to innovative coverage solutions and swiftly capitalizing on new opportunities. The market remains competitive, but with rate stabilization on the horizon, expect strategies to begin to reflect a more balanced mix of pricing changes, retention adjustments, and enhanced coverage options.
- + While some decreases may still be available for risks deemed attractive by underwriters, we don’t anticipate the more drastic rate reductions seen in previous years.
- + In 2025, insureds with clean loss histories, strong controls, minimal changes in exposures, and a consistent pattern of financial performance can expect more favorable results on their renewals. Less stable risk profiles, such as claims-heavy accounts and industries that face high regulatory oversight and a higher frequency of class action lawsuits, are reviewed with scrutiny and are more likely to experience significant rate increases.

### **Trends in EPL coverage include:**

- + Biometric exclusions or sublimits are becoming the norm, especially for policies covering employees in Illinois, Texas, and Washington.
- + California policyholders can expect lower sublimits, higher retentions, or no wage and hour coverage available due to claims activity.
- + Expanded definition of Employment Practice Wrongful Act to include acts carried out by means of electronic communication such as the internet, email, instant messaging, or social networking
- + Private companies renewing management liability programs in 2025 should expect a more innovative market that emphasizes coverage specializations, adapts to emerging opportunities, and addresses evolving challenges.

# MAJOR CLAIMS IN THE SECTOR

## + \$60.65 MILLION VERDICT

A Texas man was assaulted by a security guard over a disagreement regarding a souvenir beer mug. The security guard pushed the plaintiff to the ground and hit him in the back of the head with the mug, causing severe injuries to his head. The jury awarded a \$60.65 million dollar judgment against the entertainment complex, the security company, and the security guard.<sup>15</sup>

## + \$25 MILLION SETTLEMENT

An online food ordering and delivery platform will pay \$25 million to settle a dispute over alleged deceptive business practices with the Illinois attorney general and the Federal Trade Commission. The investigation found that the company misled customers about the cost of delivery and the benefits of its subscription, deceived drivers about income potential, and listed restaurants on its app without their knowledge or consent or over their objections.<sup>16</sup>

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## **BEGIN THE RENEWAL PROCESS EARLY**

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



## **PARTNER WITH INDUSTRY EXPERTS**

It is important to work with your broker's industry experts who understand the business and the market when placing the specific risk. 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 & PROACTIVE RISK MANAGEMENT**

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.





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## KEEP READING

PROPERTY & CASUALTY EDITION

INSURANCE INSIGHTS

HR INSIGHTS

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