

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, economic turbulence and operational challenges have reshaped the business landscape for hospitality risks.

Several major hotel companies have downgraded their 2025 RevPAR guidance in Q1 earnings reports, citing ongoing economic uncertainty.<sup>1</sup> 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.<sup>2</sup>

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% while travel from Europe and UK contracted 11%.<sup>3</sup>

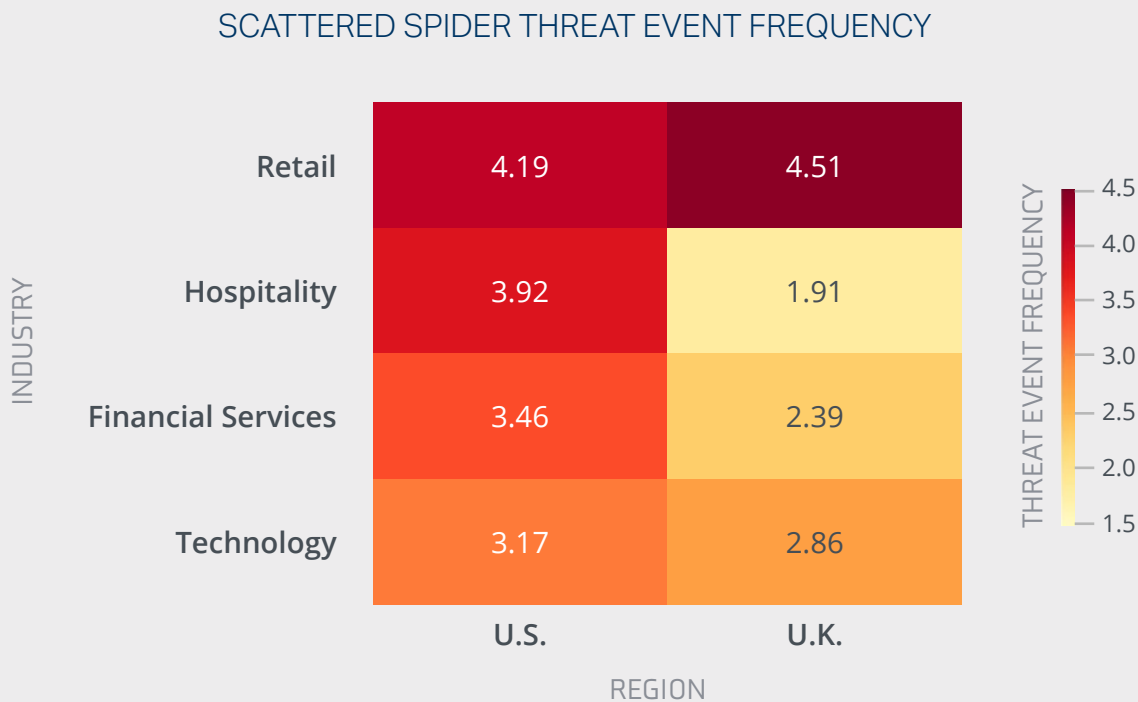
Restaurants have experienced an uneven year so far, showing signs of growth in sales even with a decrease in traffic,<sup>4</sup> yet forecasts predict a bearish outlook for the second half of the year.<sup>5</sup> Employment is up, particularly in limited service, quick-service, and fast-casual establishments, while full-service restaurant employment remains below pre-pandemic levels.<sup>6</sup>



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.<sup>7</sup>

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.

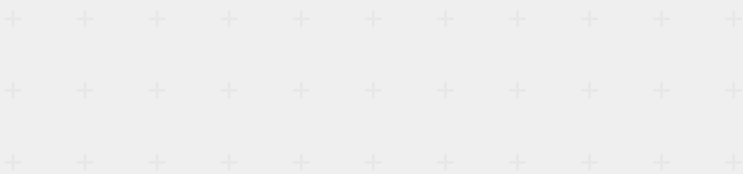


Despite these risks that technology brings, the industry is leaning into AI to enhance the customer experience both online and in-store. The expectations are that brands will employ less workers while relying on technology to gain improvements in efficiencies for inventory, ordering, check-ins, food preparation and more new technologies may also provide increased security, with AI employed for secure connections and blockchain encryptions for storing data. So, while technology is presenting additional cyber risk, employees and guests will continue to see reductions in exposures and resulting injuries in this sector as advancements in tech and AI continue.

# MARKET OUTLOOK

## PROPERTY

- + Areas not prone to natural disasters are now beginning to see rate increases, following years of minimal rate changes, as underwriting performance becomes a greater focus.
- + Property rates for portfolios exposed to catastrophic perils, such as wind, flood and earthquake, are trending down 15-20% after benefiting from strong price increases and higher deductible attachment points over the past several years. This stability has been driven by new capital entering this part of the market, creating competition. The result of these risks has been a benefit to balance out rate increases in other lines.
- + Coastal areas are experiencing the most significant declines from rate increases over the past few years.
- + Locations considered to be in wildfire-prone areas are expanding, creating additional obstacles for some, while driving costs
- + Higher deductibles and self-insuring/self-funding are being utilized creatively to manage risks and costs.



## 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

- + Liability rates are up 5-25% on average. Increases are due to trends in the frequency and severity claim trends. Nuclear verdicts and increased litigation have caused carriers to restrict their appetites in the restaurant space.
- + Liquor liability for bars and restaurants are limited or no longer available by an increasing number of markets and regions due to increased litigation and verdicts, creating spikes in insurance renewal premiums and lower limit offers by carriers.
- + Coverage restrictions, including exclusions like assault, battery, sexual abuse, and molestation coverage are becoming more commonplace. Alternative markets are offering sublimits or smaller coverage extensions but many times without the ability to add to Umbrella limits.
- + 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 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 and will likely take years to reverse nuclear verdict rising trends across the U.S.





### 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 experiencing increased premiums year over year, accompanied by an increase in market share due to standard market reductions in offerings.
- + National Umbrella premium trends rose by 9.5% in Q1 2025, following an 8.7% increase in Q4 2024 while hospitality risks continue to outpace those increases due to heavy premise exposure from guests.<sup>9</sup>
- + One factor driving higher umbrella rates is the concern over third-party litigation funding, whereby outside parties not involved in a lawsuit provide funds to claimants or law firms to cover legal costs in exchange for a share of the financial recovery of a case.<sup>10</sup>

### 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 property and casualty 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.<sup>11</sup>
- + The workers' compensation market remains competitive as insurers pursue business with significant capacity available.
- + Profitability and ongoing stability of workers' compensation are 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 that allow insureds to opt out of the required insurance.
- + 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.<sup>12</sup>
- + Nuclear verdicts are impacting commercial auto as well, with carriers concerned about the increasing third-party litigation funding fueling claims and lawsuits.<sup>13</sup>
- + Carriers are limiting their exposure on large fleets, regardless of whether other coverage lines accompany the placement.
- + Auto underwriting will remain disciplined in order for insurers to achieve price adequacy in a challenging market.<sup>14</sup>

### GENERAL RATE CHANGE ESTIMATES

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

## EXECUTIVE RISK



## Cyber

- + 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.
- + Third-party related cyber-attacks accounted for 31% of all claims and 24% of material losses.<sup>15</sup>
- + Organizations with strong IT security and privacy policy compliance are benefiting from a stable and insured-friendly market.
- + Carriers continue to decline risks if potential 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.<sup>16</sup> 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.<sup>17</sup>

**+ 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.<sup>18</sup>

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

Plaintiff slipped and fell while at a casino. She alleged she ended up suffering from CRPS (Complex Regional Pain Syndrome) due to the leg injury sustained from the fall. Jurors awarded plaintiff \$15 million.<sup>19</sup>

**+ 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.<sup>20</sup>





## 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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## KEEP READING

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HR INSIGHTS

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