Markets in Focus

Q1 2026

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IMA

SYSTEMIC ECONOMIC AND LEGAL PRESSURES RESHAPING OPERATOR RISK

The **legal and insurance landscape is creating additional headwinds** for hospitality operators. Insurance companies are putting the industry under greater underwriting scrutiny, with **upward pressure on general liability and umbrella pricing driven by nuclear verdicts and third-party litigation funding**.[1] Restaurants and hotels sit at the center of guest-facing risk, increasing premises liability exposure. Liquor liability challenges are accelerating as markets are still limited. Standard insurers are stepping back once liquor revenues exceed 25% to 30% of total sales.[2] While property pricing has softened, the broader environment – marked by catastrophic weather exposure, elevated litigation risks, and ongoing economic and labor pressures – demands that companies position themselves as best-in-class risks by addressing concerns such as location, property condition, and claims history.[3]

MARKET OUTLOOK

PROPERTY

As operators look to insure their assets, there is good news in 2026. Whether it is during the construction phase of builders' risk, or insuring the operating buildings, property insurance is offering relief for the total insurance spend in hospitality.

+ Property market conditions continue to improve with new capacity and capital returning, creating opportunities for competitive pricing. At the same time, underwriting discipline remains around insurance-to-value, loss history, and deductibles. Several insurers now require five-year loss histories – regardless of who controlled the location during that period. This reflects insurers' ongoing focus on improving risk visibility and protecting loss ratios.

+ Positive trends of property rate relief includes all construction classes beyond traditional frame ratings with hotels and casinos.

+ There is further evidence of competition and rate relief for quality risks that have exhibited improved loss performance. Many insurers underperformed against Q4–early Q1 growth targets and now show a **heightened focus on retention and new business to make up for lost ground in 2025.**

GENERAL PRICING ESTIMATES

Non-CAT exposed property with favorable loss history	Down 5% to 10%
CAT exposed property with favorable loss history	Down 15% to 20%+

Property market conditions continue to improve with new capacity and capital returning, creating opportunities for competitive pricing.

CASUALTY

The overall casualty market remains difficult, marked by:

+ Some insurers issuing conditional notices indicate they may not renew general liability coverage on a guaranteed-cost basis or include the same terms. Litigation trends against operators are driving higher awards and settlements.

+ Coverage limits of $10 million are increasingly difficult to secure. **The new standard is spreading coverage across multiple $5 million layers**, where available. More carrier participants are adding to the overall costs.

+ Increased emphasis on identifying exclusions in policy language related to sexual abuse and molestation, as well as assault and battery coverage. These **exclusions are frequently tied to security protocols**, emphasizing training, staffing, surveillance, and incident-response measures or a lack thereof.

Liquor Liability and Increasing Market Contraction

+ **Liquor liability remains one of the tightest coverage areas, with minimal relief ahead.** For restaurants and hotels where alcohol sales represent a meaningful share of revenue, **liquor liability claims continue to push rates upward, prompting some insurers to exit the sector**. Operators may have opportunities to improve their risk profile by instituting rigorous alcohol-service training programs, using technology to more efficiently monitor customer behavior, and minimizing physical risk factors within the premises. Solid procedures can help support underwriting confidence.

Workers' Compensation

+ There is a measurable competition among insurers desiring workers' compensation risks, particularly for traditional multi-line markets. Insurers using workers' compensation to leverage general liability coverage needs, for instance, is occurring with more regularity. Overall, this line of coverage remains soft.

GENERAL RATE CHANGE ESTIMATES

General liability with favorable loss history	Up 5% to 15%
General Liability with non-favorable loss history	Up 15% to 30%
Umbrella & Excess Liability	Up 10% to 20%
Workers' Compensation with favorable loss history	Down 5% to 10%

MAJOR CLAIMS IN THE SECTOR

Escalating litigation trends continue to have a significant impact on the insurance industry.

As tort reform advances in several states, particularly in the Southeast U.S., the trend toward nuclear verdicts is still taking hold nationwide. A recent study found that litigation is no longer viewed as a last resort or an excessive burden on society, with just 56% of respondents believing there are too many lawsuits in the U.S., a sharp decline from 90% in 2016.[4] The study also revealed a clear pattern: injury severity – not company size – is the strongest driver of verdict behavior.[5] Support for larger awards has followed suit; 76% of respondents indicated that damages awarded in lawsuits are either too low or just right, up from 58% in 2016.[6]

This trend is of great interest to the hospitality industry, which has seen a rising number of claims and large settlements.

+ NEGLIGENCE | PREMISES LIABILITY $66.575 MILLION AWARD

A Georgia jury awarded $66.575 million to the family of a student who was shot and killed at a nightclub.[7] This loss has continued to heighten concerns around crime and liquor exposure and may increase premises liability risk for businesses in similar areas.[8]

+ PREMISES LIABILITY| NEGLIGENCE $11.39 MILLION AWARD

A Florida woman was awarded $11.39 million by a jury following a severe parking lot fall that resulted in a multi-fractured leg.[9] This loss highlights the importance of addressing uneven surfaces and implementing **parking lot risk mitigation measures**.

As litigation trends continue to shape the insurance landscape, specialized expertise remains a critical advantage. Partnering with advisors who deeply understand the hospitality industry and the complexities of the insurance market is essential. In this disciplined underwriting environment, working with a team that can effectively represent your risk and partner with operations to reduce claims is more critical than ever.

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INSURANCE INSIGHTS

HR INSIGHTS

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Sources:

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