



# 2025 State of the Hospitality Insurance Market



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### Navigating Change, Building Resilience, Taking Back Control

The hospitality industry is accustomed to challenges, and insurance is no exception. In the past six months, insurance companies have increased underwriting scrutiny – asking for more information before agreeing to quote or renew.

Rising insurance premiums, restrictive policy language, and emerging risks are forcing hospitality operators to rethink their risk management strategies. Here's a summary of what to expect for the balance of 2025, along with actions you can take to protect your bottom line.

#### What's driving insurance changes?

Several factors are reshaping hospitality insurance in 2025, including catastrophic weather events, increased litigation, and social inflation (rising jury awards). Economic pressures like inflation, labor shortages, and supply chain issues are also making it harder to manage costs.

But here's the good news. While you can't control every external factor, you can work to position your business as a "best-in-class" risk. Doing so can help you secure better coverage and lower premiums.

#### Key changes in property insurance

Over the past six months, insurance companies have been rethinking what they are willing to insure. Operators with older buildings or frame construction are facing the greatest insurance challenges. Here's what's different now:

- **Zero to very low tolerance for non-sprinklered buildings:** Most standard insurance carriers demand fire suppression systems. If your building lacks sprinklers, it's time to plan an upgrade.
- **Preference for newer materials:** Underwriters prioritize buildings constructed after 1990 with updated electrical systems and roofing. Fire- and wind-resistant roofing material is also a growing requirement.
- **Frame vs. masonry:** While wood-frame construction remains common due to material availability, insurers increasingly favor masonry and non-combustible materials. Protect frame buildings with fire-resistant exterior finishes.
- **Revenue scrutiny:** Business interruption claims are a major cost concern for insurers. Carriers want detailed revenue information to assess potential losses. Properties that house multiple businesses (such as a commissary with six restaurants) will need to provide revenue data for each entity.



#### Surging rates

Depending on the state, hospitality operators are experiencing property insurance rate increases of 17% to 26% on average.

Locations at high risk for natural disasters, vandalism, or theft – as well as older buildings and businesses with recent claim losses – are seeing even steeper increases of 50% or more.

### Climate crisis

2024 was the third consecutive year with over \$100 billion in insured losses, straining insurers' ability to offer affordable coverage.

### Action steps

- ❑ **Conduct a building assessment:** Identify any gaps, like old wiring or missing sprinklers.
- ❑ **Have a plan:** Build a three-year maintenance plan that includes major renovations and how you plan to address deficiencies.
- ❑ **Document upgrades:** Show underwriters you've made improvements such as fire-resistant roofing or ember-filtering vent covers to mitigate wildfire risks. And provide maintenance documentation.
- ❑ **Verify your true replacement costs:** Base coverage on current rebuild costs, not outdated estimates. Know your number. What would it cost in today's dollars to replace your operation?
- ❑ **Review business interruption coverage:** Update it to reflect accurate revenue projections.
- ❑ **Ensure your online presence accurately reflects your strengths.**



### The liquor liability squeeze

Liquor liability insurance has become an ongoing crisis. Rising premiums, reduced coverage, and carrier exits are squeezing bars, restaurants, and other venues that serve alcohol. The litigious climate — including third-party Dram Shop lawsuits — is making the situation worse.

#### Recent changes include:

- **Waning capacity:** Fewer insurers are offering liquor liability coverage, and those remaining are doubling rates in many cases. Establishments with open liquor liability claims are seeing increases as much as 300% to 400%.
- **Coverage restrictions:** Insurers are capping or excluding coverage for assault and battery and incidents involving fire arms.
- **Stricter documentation standards:** Underwriters expect your team to be highly trained in alcohol service and for you to have a robust, consistent process for documenting incidents.
- **Third-party claims on the rise:** One lawsuit involved 27 businesses, despite little evidence linking all establishments to the alleged intoxication. Some attorneys are naming multiple hospitality establishments in these suits, with an eye toward higher settlements for their clients.

### What's at stake?

If your liquor liability premium jumps from \$20,000 to \$80,000, your restaurant needs a strategy to absorb the \$60,000 extra cost. How many additional meals or drinks would you need to sell just to break even?

#### Action steps

- Establish robust alcohol training programs:** Train staff regularly — not just at hiring — to recognize intoxication, check IDs, and document incidents.
- Track patrons across tables or tabs:** Use technology to better monitor alcohol consumption.
- Extend video retention policies:** Make sure footage covers your state's litigation filing timeline.
- Encourage food consumption with alcohol:** Design your dining experience to promote food pairings, potentially reducing overconsumption.
- Minimize physical hazards:** Address uneven surfaces, poor lighting, and other risks to prevent accidents.
- Revisit your business hours:** Carriers are charging more for establishments that stay open past midnight. Compare your late-night revenue against insurance and labor costs to assess impact on your profitability. Would closing at 11:00 improve your margins?

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### Cyber liability remains critical

Cybercriminals are increasingly targeting restaurants, bars, hotels, and other hospitality businesses. Whether it's ransomware or phishing schemes, the consequences range from stolen customer data to operational downtime. Here's what's changed in the cyber insurance landscape:

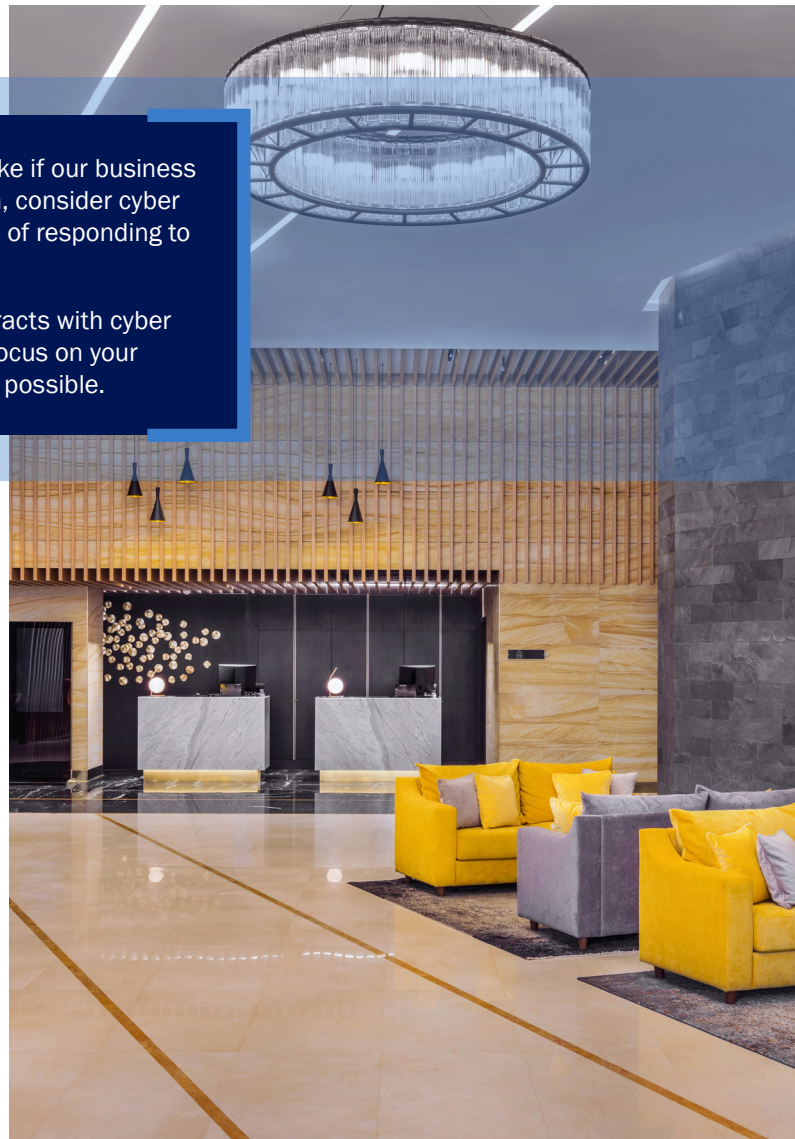
- **Insider threats:** Hospitality employees continue to cause the lion's share of cyber incidents, either accidentally or intentionally.
- **Higher recovery costs:** The average cost of a data breach is around \$5M. Businesses lose resources to recovery, payouts, and downtime.
- **Vendor liability limitations:** Many operators assume tech vendors are responsible for data protection, but most vendor contracts shift some or all liability back to you.

As a hospitality operator, ask yourself, "What steps would I take if our business experienced a cyberattack?" If you can't answer this question, consider cyber liability insurance. This coverage helps you navigate the steps of responding to an attack.

It's not just financial protection. The insurance company contracts with cyber experts who can help with your breach response so you can focus on your business and getting back to normal operations as quickly as possible.

### Action steps

- Review third-party vendor agreements:** Clarify who handles breaches. Assume you have ultimate responsibility for your customer data.
- Implement a "zero trust" model:** Always verify payment requests or financial updates through a second channel.
- Invest in cyber liability coverage:** It's not just for financial protection, but also for expert breach response if an incident occurs.



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### Workers' compensation trends

Labor shortages and rising medical costs are pushing workers' compensation premiums higher. But this area also offers the most opportunity for proactive risk management.

Key trends include:

- **Struggling safety programs:** Overworked employees or untrained new hires lead to more accidents.
- **Rising experience modifiers (MODs):** Claim frequency and severity are driving up MODs, resulting in premium hikes of 30% to 40% for some operators.

### Take back control in 2025

You can't control the economy, weather, or legal landscape, but you can influence how insurers view your business. Building "best-in-class" processes will put you in a stronger position to secure better terms.

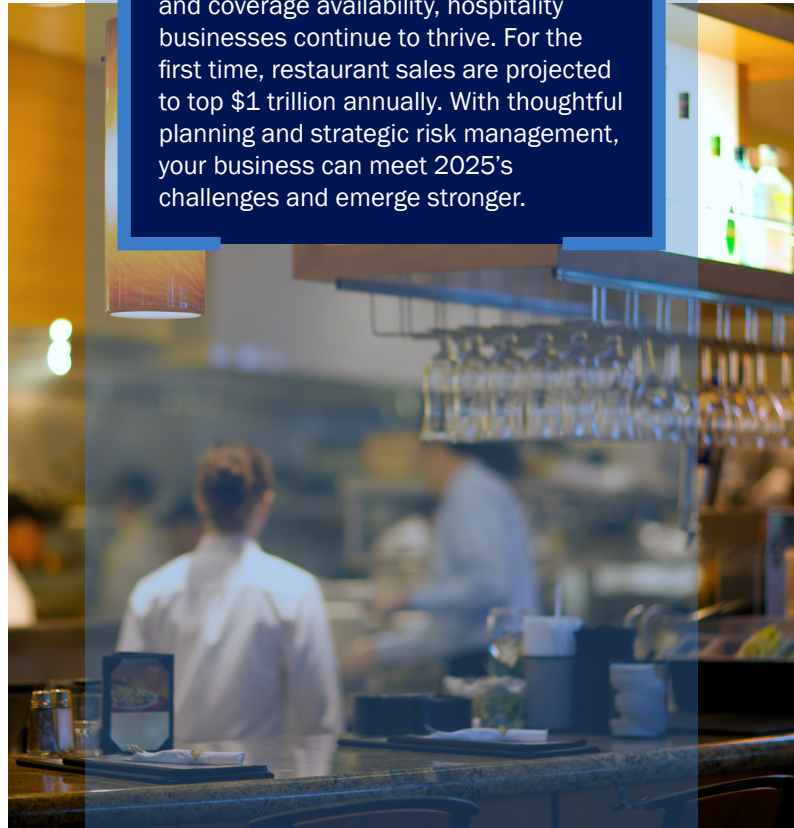
- **Start early:** Talk with your insurance broker 90 to 120 days before renewal. A great broker does more than give a quote; they act as your advocate, telling your story to underwriters.
- **Showcase your strengths:** Highlight building upgrades, employee training, and consistent safety records. Use data and documentation to prove you're managing risks proactively.
- **Challenge old assumptions:** Change how you buy insurance. It's no longer about the cheapest price; it's about getting the right coverage for your most valuable assets.

### Action steps

- **Create a safety-first culture.** Conduct regular hazard assessments and foster an environment where safety is top priority.
- **Track accidents and training rigorously.** Strong documentation strengthens your renewal negotiations.
- **Prevent claims by maintaining clear communication and balanced workloads.** Even small steps like preventing slips with a floor mat can help reduce claim costs.

### Optimism amid uncertainty

Despite challenges with premiums and coverage availability, hospitality businesses continue to thrive. For the first time, restaurant sales are projected to top \$1 trillion annually. With thoughtful planning and strategic risk management, your business can meet 2025's challenges and emerge stronger.



### Action today leads to protection tomorrow

The choices you make this year will determine your insurance outcomes for years to come. Start making changes now, and watch them pay off in lower premiums, better coverage, and peace of mind.

This guide is your map to navigating hospitality insurance in 2025. Follow these strategies to stay protected and keep serving your guests without interruption.

For specialized guidance, reach out to our team of hospitality insurance experts at [hospitality@risk-strategies.com](mailto:hospitality@risk-strategies.com).



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