

# Outlook 2025

## Cannabis

In a volatile marketplace, risk mitigation will separate success from failure.



# What to Expect in 2025

The cannabis industry will face new and amplified risks that threaten company viability in 2025. Companies will need to be vigilant and avoid a “set it and forget it” mindset when it comes to insurance coverage.

Alternative risk transfer options are on the horizon to help cannabis operations cope with high costs. Until then, companies that focus intently on risk mitigation will drive profits and greater resilience.

**80%**

*of Canadian cannabis companies identified rising costs as the biggest challenge to profitability, but only*

**65%**

*feel prepared to address it.*

1. Results from HUB's Executive Outlook Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

# As companies flirt with insolvency, insurance protections become even more critical.

Profitability continues to be a significant issue for cannabis businesses. From price fluctuations, uneven supply and demand to a burdensome tax regime, many companies are struggling to survive. In fact, few — if any — Canadian cannabis companies are consistently profitable.<sup>1</sup>

One major factor is Canada Revenue Agency (CRA) requirements demanding full payment of excise taxes prior to delivery of the product to the stores. By the end of 2023, roughly 250 licensed cannabis producers owed the CRA approximately \$274.3 million in unpaid excise taxes.<sup>2</sup>

With the government cracking down, even garnishing payments directly from the companies,<sup>3</sup> the industry has seen an unprecedented level of Companies' Creditors Arrangement Act (CCAA) filings. In fact, 12% of filings nationwide are cannabis-related businesses.<sup>4</sup> Acquisitions related to these CCAA filings require extra caution, as these deals often come with an additional layer of liability.

An experienced broker can help review these complex policies and provide guidance to cannabis companies navigating potential acquisitions or dealing with the CCAA process. Additionally, a broker who has experience with "change of control" language is essential to help clients understand the reporting requirements for underwriters. Coverage can be affected or limited if reporting requirements are missed.

On the insurance protection side, costs and capacity continue to pressure the bottom line. Nearly three in 10 cannabis industry respondents of the HUB International 2025 Outlook Executive Survey<sup>5</sup> reported that they do not have adequate insurance to protect their profits. In part, this may be due to the limited number of carriers willing to insure the industry.

## Case Study

One HUB cannabis client was working on a challenging acquisition that looked like it might fall through at the last minute due to unresolved risks. With HUB's assistance, problematic issues were identified and addressed. An expert was called in to perform a flood analysis, and creative solutions were designed to protect the buyer from unnecessary exposures. The deal was finalized soon after.

There is also a trickle-down effect of other struggling industries. For example, with gas prices rising<sup>6</sup> and few carriers available, transportation insurance has nearly tripled for cannabis businesses. Some carriers may try to change the terms of the coverage, so be sure to review policies carefully at renewal time.

2. MJBiz Daily, "[Canada's finance minister warned about cannabis industry 'financial distress'](#)," March 15, 2024.
3. MJBiz Daily, "[Canada's unpaid cannabis taxes soar 72% to almost CA\\$300 million](#)," March 4, 2024.
4. MJBiz Daily, "[Canada says cannabis wholesalers must garnish payments over unpaid taxes](#)," March 13, 2024.
5. MJBiz Daily, "[Canadian cannabis insolvencies persist in 2023 amid industry woes](#)," December 18, 2023.
6. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
7. Yahoo!Finance, "[Gas prices fall across Canada following 'summer peak' prediction](#)," August 23, 2024.

# Data analytics will drive decision-making on employee benefits.

With one step at a time, the cannabis industry is pushing toward normalization. Organizations that prioritize employee benefits will be better able to attract talent, as well as demonstrate care and support for existing employees. However, delivering the right benefits can be difficult.

Amid one round of layoffs<sup>7</sup> after another<sup>8</sup> — not to mention rising numbers of insolvent companies<sup>9</sup> — cannabis businesses will need to double down on attracting and retaining talent.

According to the HUB survey, three-quarters of Canadian businesses are focused on employee productivity this year. So, whether an organization is tightening its staff count or struggling with high turnover, cannabis businesses need to find ways to keep their best people on board.

The best way to increase employee satisfaction and engagement is through strengthening benefits offerings, which have grown in importance over the last year. In fact, the key is through personalized benefits, in which employees can select appropriate benefits from a range of options. When done correctly, personalized benefits create [quality employee experiences \(QEX\)](#), which drives employee loyalty, trust and productivity.

Finding the right way to personalize benefits can be challenging. For the best outcome, conducting tools like [HUB's Workforce Persona Analysis™](#) can reveal which benefits are important to which employees. These personas are built through data that many companies already have, making this solution a simple one. In fact, according to the HUB survey, half of cannabis leaders are already relying on analytics to guide their benefits strategy.

- 
8. Calgary Herald, "[Calgary-based cannabis company announces another round of layoffs as industry continues to struggle](#)," July 17, 2024.
  9. StratCann, "[BZAM cuts more than 90 personnel as company refocuses to two production sites](#)," September 19, 2023.
  10. MJBiz Daily, "[Canadian cannabis insolvencies persist in 2023 amid industry woes](#)," December 20, 2023.

# Catastrophic weather poses a tremendous threat to the industry throughout 2025.

Climate change and unusual weather patterns are particularly important to the cannabis business, from droughts and wildfires for outdoor growers, to supply chain issues due to other catastrophic (CAT) weather events like hurricanes, floods and convective storms. With few options for insurance coverage available, cannabis business executives must be open to alternative solutions and embrace enterprise risk management (ERM) to cope with climate change.

Extreme weather event claims have risen by more than 93% from just a decade ago, and some of the most damaging hailstorms, floods and wildfires on record have occurred in the last year.<sup>10</sup> Even though severe weather is a real risk for the cannabis industry, many cannabis companies are apparently not acknowledging the risk.

According to the HUB survey, just 30% of cannabis executives expressed interest in disaster planning, and only 23% identified climate change as a major component in determining risk management practices. Coverage can be difficult to obtain, but businesses who secure insurance and have business interruption plans in place will be the ones who survive such a volatile risk environment.

In the case where no coverage is available, cannabis companies must focus on risk management techniques to protect themselves. Consider these steps:

- 1. Identify potential risks.** Whether your business is in a place that is susceptible to wildfires or floods, identify the challenge and quantify the exposure.
- 2. Design a plan.** A risk mitigation plan can help identify other ways to avoid risk and lessen the impact of a catastrophic weather event. For example, building a flood wall might cost the same as a single year of flood insurance while helping protect the business during major rainstorms.



- 3. Seek out alternate protections.** The obvious choice is to set aside a reserve fund to cover it. But businesses should also consider non-traditional approaches, such as parametric insurance that offers a payout based on a trigger event (i.e., hurricane or a wildfire).

Cannabis businesses that work with an experienced industry broker will find more success managing their risk and protecting their assets.

11. Insurance Journal, "[Canada's Insurance Sector Faces Deluge of Climate-Related Catastrophe Claims](#)," September 3, 2024.

## Finding gold in R&D — but also major risk.

In this relatively young and still growing industry, new products and consumables are coming out all the time. Yet because the science is new and evolving — and because the substances are chemically altered in new and different ways — insurers are reticent about offering policies when there's so much that can go wrong.

Cannabinoid research and development (R&D) continues to expand rapidly. In Canada, developers are isolating lesser-known cannabinoids to use them in new products and consumables. Some of these are chemically altered to create health benefits, such as improving mood, sleep or creativity.

From beverages designed to increase rest and sleep<sup>12</sup> to bath salts and body butters,<sup>13</sup> the potential of these products is exciting for the industry. Yet at the same time, new products are challenging for insurers. The psychoactive properties in these new products create a serious product liability risk, so it's likely that many of these will be explicitly excluded from coverage.

Cannabis businesses heavily involved in R&D will need to keep the risks in mind going forward. New products come with new risks, and organizations will need to take steps to mitigate the risk while still investing in the research.



The right broker can help businesses review their policies carefully to avoid these potential areas of concern. An experienced broker can also offer alternative risk management practices while still allowing businesses to continue with R&D.

12. Globe Newswire, "[Solei Launches New THC Infused Sparkling Beverages and Topicals](#)," August 15, 2024.
13. Cision, "[Jublee Announces New Minor Cannabinoid Edibles and Unveils Body Care Offering](#)," February 29, 2024.

# Navigating Your Next Steps

HUB cannabis specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2025. Here are some initial considerations:

1

**Focus on strategically financing your risk.**

With an uptick in significant weather events across Canada and a challenging economic climate, many cannabis companies aren't equipped to fund adequate insurance protection. Conduct a deep analysis of exposures with your broker and strategically finance that risk to build resiliency.

Offer benefits your employees want to stand out from the competition with a [quality employee experience \(QEX\)](#). With data analytics, you can offer a competitive — and personalized — benefits package to the workforce that promotes engagement, recruiting and retention.

2

**Rethink your benefits strategy.**

3

**Do your due diligence before expanding.**

Adding a new, related cannabis product to your product line makes sense as markets remain saturated with competition. But a new cannabis product launch carries risks unique to the industry. Work with your broker to understand the regulatory issues relating to an expansion and the additional risk it presents.

Consistent communication with your broker will help you identify and mitigate issues in advance of your next renewal and position your company in the best light. Review exposures and insurance needs at least 90 days prior to policy renewal to allow your broker to find the optimal mix of coverage for your business needs.

4

**Be transparent with your broker.**

# Canada Commercial Rate Guide

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Canada.

Below is our outlook on insurance rates in Canada for 2025. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	2025 Canadian Rate Guide	Insights
<b>Commercial Automobile: One to five vehicles</b>	Flat to +5%	Inflation and vehicle thefts continue to push rates upward. Rate increases are being filed in most provinces due to an increase in the frequency of claims and the amount of repair bills rising.
<b>Commercial Automobile: Six or more vehicles</b>	Flat to +5%	Inflation and theft continue to put pressure on rates. An increase in the frequency of claims and higher repair costs have driven rate increases.
<b>Liability</b>	-5% to Flat	Better performance in general liability has helped insurers offset losses in property insurance. Terms and pricing are more flexible as carriers seek to diversify their business.
<b>Excess Liability</b>	Flat	Excess liability premiums remain stable and in some cases are falling, with variability depending on exposure and attachment points. Excess layers with U.S. exposure may see rates increase.
<b>Commercial Property</b>	-10% to Flat	Most segments in commercial property are seeing rate reductions, but property in catastrophe-prone zones is still experiencing rate increases. Rebuilding costs have steadied, but undervalued properties remain a concern, as these properties may not be insured to cover full rebuilding and replacement costs.
<b>Residential/Habitational Property</b>	Flat to +5%	In light of recent natural catastrophes, premium increases and stricter terms and conditions are expected to continue.
<b>Catastrophic Perils</b>	Flat to +5%	Given the increased frequency and severity of weather events, rate increases are expected in catastrophe-prone areas. Climate change continues to push rates higher.
<b>Environmental</b>	-10% to Flat	The environmental insurance market remains favourable as insurers are eager to write new business. However, terms are tightening; insureds need to carefully review exclusions and restrictions at renewal.
<b>Directors &amp; Officers: Private</b>	-10% to Flat	D&O coverage for private companies remains soft with ample capacity as carriers compete to keep business. Rates will be flat at renewal or dropping when there's competition for the business.

# Canada Commercial Rate Guide

Coverage	2025 Canadian Rate Guide	Insights
<b>Directors &amp; Officers: Public</b>	-10% to Flat	Public companies continue to see rate cuts or no increases at all due to increased competition. There is plenty of capacity, and underwriters are pricing with favourable terms and conditions.
<b>Cyber Liability</b>	-10% to Flat	Rates continue to reflect improvement in the cyber market. Carriers will lean toward flat rates at renewal unless competition for business drives rates downward.
<b>Inland Marine</b>	-5% to Flat	Despite trending downward overall, rates are rising in some geographies, largely due to the increased frequency and severity of weather events in catastrophe-prone locations, as well as an increase in theft.

**NOTE:** *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

# Industry Perspective

Business	2025 Rate Guide	Insights
<b>Agribusiness</b>	-10% to +5%	Additional property capacity is available for best of class construction and protection. Unprotected frame properties remain challenging to cover.
<b>Cannabis</b>	-10% to +10%	<p>Insurance rates for cannabis operations will vary depending upon the type of business and coverage. Commercial auto coverage is likely to rise 5% to 10% due to worsening loss trends. However, insureds may be able to negotiate discounts for general liability insurance and package coverages.</p> <p>Despite an improving market overall, property insurance rates in cannabis are likely to increase as much as 10% due to some significant losses. Following market trends, cannabis insureds will enjoy rate relief for D&amp;O and cyber coverage.</p> <p>Stock throughput insurance rates will rise about 5% to 15%, with rate increases at the higher end for perishable or combustible stock.</p>
<b>Construction</b>	-5% to Flat	When construction operations put their business to market, there may be rate decreases. Several factors will drive reductions in rates: increased capacity, favourable claims experience and a more competitive environment.
<b>Education</b>	-10% to Flat	The property market is competitive, giving rate relief for educational institutions. Rates for cyber and D&O are also declining, giving institutions an opportunity to consider fortifying coverages.
<b>Entertainment &amp; Sports</b>	-5% to +10%	<p>After years of rate increases, the market for property insurance in entertainment and sports has leveled out, with slight decreases or slight increases for 2025. General liability coverage will depend on loss history, with rates falling 5% or rising up to 10%.</p> <p>Excess liability coverage insurance rates will be flat or drop slightly. D&amp;O and cyber insurance will follow general industry trends, with rates stabilizing or falling as much as 10%.</p>
<b>Financial Institutions</b>	-10% to +5%	<p>The industry will benefit from trends affecting insurance overall. D&amp;O rates will drop as much as 10% due to strong competition and favourable conditions for insureds, while professional liability rates will reflect aggressive bidding for business.</p> <p>Low claims activity for Canadian private equity firms has attracted capacity for general partner liability coverage. However, firms with U.S. presence are likely to see reduced capacity.</p>
<b>Healthcare</b>	-5% to +10%	<p>Rates for property insurance in healthcare will rise, although the increases are expected to be small. General liability coverage will also increase slightly, with a high rate of renewals; insureds may see a 5% to 10% decrease if they go to market for a lower rate. The same is true for E&amp;O insurance in healthcare.</p> <p>Excess liability rates are expected to remain stable.</p>

# Industry Perspective

Business	2025 Rate Guide	Insights
<b>Hospitality</b>	-15% to +10%	<p>A wide range of outcomes in hospitality reflects different market conditions. Underwriters are competing for business for property, general liability and excess liability insurance, driving down rates as much as 15%.</p> <p>Meanwhile, auto insurance remains challenging in some regions though rate increases for larger fleets should be minimal. Like for cyber insurance as a whole, the cyber market in hospitality is also competitive, but can be challenging for hotels, as the risk is shared between the owner, manager and banner.</p>
<b>Real Estate</b>	-15% to Flat	<p>A competitive market will continue to drive property rate reductions for best-in-class properties with favourable loss histories. General liability rates for real estate will remain relatively flat and insureds can negotiate reductions for best-in-class properties.</p> <p>Underwriters are competing for business in excess casualty, moderating or reducing rates for insureds without U.S. exposure.</p> <p>And environmental coverage for property owners could see rates fall as much as 15%, particularly for low-risk residential properties.</p>
<b>Transportation</b>	Flat to +5%	<p>The transportation sector is in a very competitive market cycle. Companies that put their business out to market are likely to get better rates than those simply renewing with their current carrier.</p>

**NOTE:** *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

# HUB Cannabis

When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB cannabis insurance specialist.

**\$70.8M**

in commercial insurance  
premium brokered by HUB

**2,200**

insurance policies  
managed

**850**

cannabis clients

## Stay up to date

Subscribe to receive risk and insurance insights and event invitations throughout 2025.

[Subscribe](#)