

# Outlook 2025

## Hospitality

Risk management is the essential ingredient in the recipe for success.



# What to Expect in 2025

Hospitality will continue to shake off the lingering pandemic-era impacts in 2025, with a pickup in corporate travel expected to offset a leisure market slowdown. But uncertainties over a riskier environment – for the economy, public policy and the markets – stand to put a damper on prospects for the road ahead. Leaning into enterprise risk management strategies will be essential to position organizations to win big in 2025.

## 64%

*identify increased costs as the top risk most likely to affect profitability in 2025, and only 35% say they are prepared to address it today.<sup>1</sup>*

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

## Uncertainties over emerging and ongoing pressures may stifle rebound.

The North American lodging sector continued its rebound in 2024, a market expected to reach US\$650 billion from US\$600 billion in 2023. Revenue per available room (RevPAR) levels should hit 121% of 2019 figures in some regions, while the average daily rate may reach US\$155<sup>2</sup> versus US\$130.50 in 2019.<sup>3</sup> Canadian restaurants also are booming, with 2024 sales likely to hit \$120 billion, an increase of nearly 5% over 2023.<sup>4</sup>

While Canadians are ready to travel and dine out again post-pandemic, economic uncertainty seems to be keeping them home. Restaurants are feeling the pressure, with nearly two-thirds of Canadian eateries operating at a loss or just breaking even, and with bankruptcies up 44%, the highest figure in 10 years.<sup>5</sup>

In good news, the Global Business Travel Association forecasted strong Canadian travel numbers for 2024 totalling US\$25.9 billion, eclipsing an all-time high in 2019 of US\$25.7 billion.<sup>6</sup> In 2025, those business travelers may be pivotal in helping offset a leisure travel slowdown as consumers cut non-essential spending to pay off a record \$122 billion of credit card debt, a 17-year high.<sup>7</sup>

Positive developments can't offset continuing drags on profitability. Hospitality's most significant operational risk remains the labour shortage and its impact on wage costs. As 2024 progressed, for example, Canadian hoteliers were struggling with staffing shortages, prompting 86% of them to increase wages and enhance benefits.<sup>8</sup> But other costs affected by inflation – food, linens and cleaning supplies – also continue to pressure profitability.

Hospitality businesses who proactively approach these challenges with creative solutions are the ones who will emerge both victorious and profitable. With uncertainty also comes the opportunity to plan for unforeseen disruption, yet according to the HUB International



2025 Outlook Executive Survey, only 23% of hospitality companies say they have enough insurance coverage to protect their profit margins.

A new approach to risk management can strengthen organizations and protect profitability during what will continue to be a very tough insurance market. Several lines of insurance, notably commercial auto, are under pressure as insurers grapple with losses.

2. Bismart, "[The Hotel Industry 2024-2025 in 10 insights](#)," accessed October 29, 2024.
3. Statista, "[Average daily rate of the hotel industry worldwide from 2008 to 2019, by region](#)," May 22, 2024.
4. Restaurants Canada, "[Restaurants Canada: Charting a Path to Prosperity](#)," September 17, 2024.
5. Restaurants Canada, "[Challenges for the Restaurant Industry Persist into 2024 after Record Breaking Bankruptcies](#)," February 22, 2024.
6. Global Business Travel Association, "[Canadian Business Travel is Forecast to Return to Pre-Pandemic Levels in 2024, Reaching \\$25.9 Billion USD and 13.5% Annual Growth](#)," April 24, 2024.
7. Equifax, "[Equifax Canada Market Pulse, Q2 2024: Economic Pressures Could Impact Credit Performance of Consumers, Especially Young Adults](#)," September 2024.
8. Hotel Association of Canada, "[Workforce Shortages](#)," accessed October 10, 2024.

# Fortify your workforce through flexibility, personalized benefits and anti-violence initiatives.

Filling hospitality jobs is challenging, even in the best of times, and finding an engaged and dedicated workforce will remain top of mind for hospitality businesses. While the lodging sector saw employment pressures ease somewhat in 2024, the food service side is struggling with 73,000 job vacancies.<sup>9</sup> As a result, restaurants are operating at 80% of their normal capacity.<sup>10</sup>

Improved pay is only a partial solution, though it's still important, as hotel workers from Vancouver<sup>11</sup> to Montreal<sup>12</sup> are going on strike to demand higher wages. Benefits that are personalized and deliver an optimal employee experience are increasingly important.

And more than "benefits," per se, matter. Restaurant employees, for example, cite bad managers (37%) and lack of recognition (44%) as reasons for leaving jobs,<sup>13</sup> which policies and training can help counter.

Difficult working conditions, toxic cultures and abusive customers can hinder recruiting. One study found 47% of female and 31% of male workers had reported experiencing harassment or sexual assault.<sup>14</sup>

However, the challenges go beyond merely holding on to workers. According to the HUB survey, 75% of hospitality executives most often identified employee productivity as their top HR priority for 2025, compared with 69% of executives overall.

A focus on training does more than improve job readiness and enable career advancement. It keeps workplace vitality invigorated. This should include manager awareness training and a hard look at hiring practices about workplace violence and how to de-escalate violent situations. Doing so will improve the workplace culture – and recruitment and retention. Additionally, better access to mental health benefits will positively impact overall employee satisfaction.

## Case Study

A HUB motel client periodically gave employees cash rewards for jobs well done. Instead, HUB suggested a reward to engage employees' help in identifying potential safety issues on the property. Each month, the entire staff would focus on identifying an area of property risk, such as lighting failures or water leaks, for the maintenance team to fix. Each quarter, all participants are entered in a raffle for a single prize, like a small flat-screen television, resulting in a morale boost and a heightened awareness of safety.

9. CityNews, "[Restaurants Canada predicting severe consequences following changes to foreign workers policy](#)," September 22, 2024.
10. Restaurants Canada, "[The foodservice sector is grappling with nearly 100,000 job vacancies](#)," February 12, 2024.
11. Press Progress, "[Vancouver Hotel Workers Are Pushing Back Against Low Wages and High Costs of Living by Going on Strike](#)," July 17, 2024.
12. BNN Bloomberg, "[Quebec Hotel Workers Aim for 36% Wage Boost in Contract Talks](#)," August 8, 2024.
13. Toast, "[How to Survive the Restaurant Industry Labor Shortage](#)," accessed October 29, 2024.
14. The Standard, "[Canada's Epidemic of workplace abuse is hurting employees and the country](#)," October 26, 2024.

## Integrated risk strategies reduce uncertainty.

Uncertainty continues to be the defining characteristic of the outlook for the hospitality industry. It will take preparedness to maintain resiliency.

The risks span every front - regulatory and political; economic and business; and climate impacts. Complex and unpredictable, 60% of Canadian businesses responding to the HUB survey say they've adopted enterprise risk management (ERM) to better anticipate and manage roadblocks to success.

Internal alignment around risk management, accordingly, has vastly improved. In the HUB survey, 66% of respondents said C-suite objectives are aligned with risk management, insurance and HR strategies, versus only 53% in 2023.

The shifting insurance environment underscores the need for hospitality businesses to make strategic choices. These choices may include a three- to five-year maintenance plan with regular planned investments to maintain the property and position themselves to be more attractive to underwriters. Hospitality companies that increase their spend on mitigation efforts will be seen as best-in-class businesses by underwriters and well-positioned for the best coverage options.

Comprehensive business continuity planning is essential to getting back to business when an event occurs. It also signals "best in class" to insurance underwriters, making a big difference at renewal time.

Commercial auto insurance rates will rise 5% or more, depending upon the services offered. It will be a challenge for hotels offering courtesy van services and restaurants that manage their own delivery. Outsourcing those services is one way to transfer risk.

Organizations that choose not to outsource need to implement stringent hiring processes and strong training programs. Additionally, employing telematics to see real-time data on drivers will ease underwriters' comfort with the risk.



# Tech adoption expands — a big differentiator and a big risk.

Technology continues to evolve as *the* game-changer for the hospitality industry, helping to deliver a stand-out customer experience, narrow the labour gap and improve operational efficiencies.

But the industry must be able to effectively balance tech for efficiency with giving customers the experience they want, whether that is face-to-face or digitally. In the next few years, more than 60% of global hospitality executives expect a fully contactless experience to become standard for all basic hotel transactions. Only 9% of travellers want direct human contact when they have service needs.<sup>15</sup>

On the restaurant front, many quick-serve businesses are deploying self-ordering kiosks. They close the labour gap but also provide customer insights, driving upselling and cross-selling. Even more importantly, Canadians prefer restaurants with technological solutions: two-thirds of survey respondents valued the ability to preview menus and nutritional information before setting foot inside the restaurant, and roughly half wanted the ability to track their orders or pay for food via a mobile device.<sup>16</sup>

AI-powered automation enables a high level of personalization – delivering hospitality that feels genuine even though it's completely automated. Hilton, for one, uses AI to develop detailed guest profiles to offer personalized recommendations for dining and local attractions.<sup>17</sup> For restaurants, AI can do everything from respond to reviews to confirm reservations and follow up via text with guests to ask about the experience and offer them an incentive to come back.

Hospitality's embrace of technology does have a distinct downside in the rising exposure to cybercrime. For example, QR codes can be easily hacked and take down

the ordering system and lead to ransom demands. The cost of a data breach has fallen in Canada over the last few years, but the average is still \$6.32 million.<sup>18</sup>

Trends underscore the need to sharpen cyber security protocols and ensure cyber coverage is written to align with hospitality-specific risks. Before rolling out new technology, hospitality businesses should consult with their broker about appropriate policies, procedures and additional risk strategies to protect against vulnerability.

15. Oracle, "[Hospitality in 2025: Automated, Intelligent...And More Personal](#)," accessed September 23, 2024.

16. Hospitality Technology, "[2024 Canadian Restaurant Customer Engagement Technology Study: What Guests Really Want](#)," accessed October 10, 2024.

17. Forbes, "[AI in Hospitality: Elevating the Hotel Guest Experience Through Innovation](#)," March 6, 2024.

18. IBM Newsroom, "[IBM Report: Escalating Data Breach Disruption Pushes Cybersecurity Costs in Canada](#)," July 30, 2024.

# Navigating Your Next Steps

HUB hospitality insurance, risk management and employee benefits 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

Thoughtfully lean into risk management.

Despite decreasing inflation, nuclear verdicts and an increase in severe weather events are making insurance more expensive. Consider alternative insurance vehicles, such as captives. Ask your HUB broker about devising an insurance strategy that meets your risk profile and budget.

Develop a three- to five-year plan with regular budgeted investments to maintain your property and reduce exposure. Investing in roofing repairs and upgrades for water leaks and to support the weight of heavy snowfall, for example, demonstrates to underwriters your commitment to property management and safety.

2

Invest in your facilities.

3

Increase workforce engagement through benefits.

Hospitality businesses have difficulty attracting and retaining employees, but those with a benefits strategy based on personalization and fostering a [quality employee experience \(QEX\)](#) will boost engagement, have an advantage in recruiting and retention and lower risk as well.

Let your broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

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 Hospitality

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 hospitality insurance specialist.

**\$860M**

in commercial insurance premium brokered by HUB

**38,800**

insurance policies managed

**16,000**

hospitality clients

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