

Outlook 2025

Cannabis

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



What to Expect in 2025

The cannabis industry faces new and amplified risks in 2025 that could threaten long-term organizational viability. Successful companies will be vigilant in mitigating risk, addressing issues before they become overwhelming — a “set it and forget it” mindset won’t work for risk management and insurance. Alternative risk transfer options are on the horizon but in the meantime, focus intently on risk mitigation.

42%

of cannabis companies have been “considerably impacted” by economic pressures and inflation

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.

As margins shrink, insurance can help protect profits in 2025.

Product pricing in cannabis has been erratic, often leaving businesses struggling to stay solvent. Mergers and acquisitions have become the main vehicle for strong businesses to expand into new regions and weaker organizations to exit the market.

An increase in marijuana licenses has resulted in market saturation,¹ and while overall cannabis sales have increased,² competition has driven down individual organizations' revenues: Prices dropped roughly 10% in 2023 and are only beginning to stabilize.³ And even the more mature markets were not immune, with sales falling off dramatically in Colorado, as legalization in neighboring Arizona and New Mexico siphoned customers away from the Centennial State.

According to the HUB International 2025 Outlook Executive Survey,⁴ nearly three-quarters of cannabis industry respondents say their organizations do not have adequate insurance to protect against risks that will harm profits. Companies are often left with a choice between unaffordable rates and no protection.

A tight market for commercial auto insurance means premiums for transportation have tripled. Rising costs and low capacity have made it challenging for cannabis businesses to secure appropriate coverage. However, there is hope on the horizon with alternative risk transfer options, including captives and parametric insurance. In addition, there is optimism around the possibility of new entrants and capacity in the insurance market as a result of the SAFE Banking Act.

Companies must make improved risk management a cornerstone of profitability, as many companies are one event — a weather disaster, supply chain breakdown or cybercrime — away from bankruptcy. Cannabis organizations who focus on organizational

Case Study

One HUB cannabis client was in the midst of a challenging purchase that looked like it might fall through at the last minute due to unresolved risk. 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.

resiliency efforts will be poised for success through the implementation of a robust business continuity plan that can pressure test these potential loss scenarios.

As many operations will struggle, others will see opportunity in the form of M&A. Buyers acquiring distressed companies will need to proceed with caution to avoid taking on unnecessary liability. An insurance advisor with cannabis industry expertise can help educate both the buyer and the seller on best practices, making sure businesses secure proper runoff or D&O policies to protect the bottom line.

1. MJBiz Daily, "[Approved and pending marijuana licenses rise in US for first time in 2 years.](#)" August 19, 2024.
2. Cannabis Business Times, "[Whitney Economics Forecasts US Regulated Cannabis Sales to Top \\$31.4 Billion in 2024.](#)" March 20, 2024.
3. PR Newswire, "[Leaflink's 2024 Wholesale Cannabis Pricing Guide Now Available.](#)" April 2, 2024.
4. 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.

As the industry matures, benefits will need to keep pace.

Creating personalized benefits that engage workers has been a major challenge for the cannabis industry as it enters a maturation period. To improve high turnover and employee dissatisfaction, many businesses have brought in unions to proactively support workers' rights. As a result, nearly 300 dispensaries and 36 grow facilities have organized under the United Food and Commercial Workers Union.⁵

One of the union's areas of focus was employee benefits. According to the HUB survey, half of cannabis industry respondents identified retirement plan options as a priority. And the unions have fought for — and won — normalization of benefits on behalf of the workers — including 401(k) plans, as well as health and voluntary benefits. This presents an opportunity for cannabis companies to stand out from the crowd by using data analytics to determine what benefits their employees want and need.

Given the union impact coupled with ongoing struggles related to high turnover,⁶ personalized employee benefits based on data and analytics can have an outsized effect in the cannabis industry. Organizations that use data to drive decision-making are better able to tailor their benefits program to meet the needs of their employee population and deliver a [Quality Employee Experience \(QEX\)](#).

Working with an experienced benefits advisor who is on the pulse of new analytics capabilities, cannabis businesses can develop a multi-year plan to ensure implementation is streamlined and effective while not being overwhelming.

Delivering the best benefits can come at a high cost, and cannabis businesses looking for creative ways to enhance their benefits programs can also explore [captive solutions](#) to maximize their offering while minimizing cost increases.

5. UFCW, "[Cannabis Union](#)," accessed October 9, 2024

6. Headset, "[An analysis of employee turnover in cannabis retail](#)," July 13, 2022.

Case Study

A cannabis-adjacent real estate business experienced a large renewal increase due to an employee's child requiring expensive prescription drugs, totaling more than \$200,000 in Rx claims alone. By joining HUB's Cannabis Captive, the client was able to carve out their pharmacy plan to reduce specialty drugs claims to \$5,000.

Severe weather and other risks will challenge the industry's resiliency in 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 catastrophe (CAT) events, like hurricanes, floods and convective storms. With few options for insurance coverage available, business leaders must be open to alternative solutions and embrace enterprise risk management to cope with climate change.

Last year's hurricane in Los Angeles was their first tropical storm in more than half a century.⁷ Nearly a dozen billion-dollar disasters were recorded during the first six months of 2024.⁸ 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 claimed 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.

Cannabis operations can start with weather-related risk management by identifying relevant climate-related risks. Depending on location, this could include wildfire, flooding, tornadoes and even heatwaves or drought (particularly for growers). Climate and catastrophe modeling can help businesses determine their greatest risks.



Risk mitigation plans will be key in the coming year. Companies need to consider the cost and potential benefits of different options to mitigate risk. For instance, a flood wall can be expensive but will protect against water damage and can help drive down property rates.

It's also important to consider alternative insurance solutions with a broker with deep industry expertise. Since cannabis coverages can be limited, it might be necessary to consider approaches such as parametric insurance, alternative risk transfer vehicles, or insurers lacking brand name recognition.

7. AccuWeather, "[Hurricane Hilary was a storm to remember for Southern California](#)," August 22, 2023.
8. Space, "[Billion-dollar disasters have been sweeping across the US this year](#)," June 13, 2024

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

Cannabis research and development (R&D) is expanding, helping drive growth and product innovation. The industry has been working with THC and CBD for some time but has recently expanded into cannabigerol (CBG) and other lesser-known cannabinoids.

New products and opportunities are always exciting. However, new cannabis products push the legal and risk envelope because of confusing legislation and evolving regulations.

For example, beverages infused with hemp-created THC have been sold through a loophole in federal farm legislation.⁹ But insurers are hesitant to underwrite such operations producing THC-infused beverages, as they leave a cannabis company open to product liability risk, as well as possible regulatory risk.

Whether it's consumables or beverages, cannabis executives will need to evaluate risk exposure with any new product launch as it carries risks unique to the industry. Organizations should consider the best ways to protect themselves (i.e., product liability and product recall coverage) — from the manufacturing phase to distribution to sales.

Cannabis companies with active R&D operations also need to protection; however, many policies have product exclusions that limit coverage or offer none at all.

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

9. Commonwealth Beacon, "[About those beverages with THC from hemp](#)," April 6, 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 the country 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.

Cannabis Rate Guide – U.S.

HUB International's rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the cannabis industry.

On average, rates for middle- to upper-middle-market companies are experiencing rate increases for nearly all coverages as carriers need additional premium to support increased losses and expenses. Below are projections of rate increases that we anticipate in 2025. It's important to discuss your business' exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2025 Cannabis Rate Outlook	Insights
Commercial Auto	+10% to 25%	<p>Given profitability concerns, carriers that once entertained auto for cannabis risks are pulling back, resulting in a significant shortage of capacity. Rate increases persist to counterbalance rising loss trends; however, there are still opportunities for insureds to find more cost-effective solutions through loss-sensitive or deductible-based programs. In some cases, carriers may offer better terms when commercial auto is bundled with a multiline primary casualty package, particularly when it includes workers' compensation coverage.</p> <p>For larger cannabis fleets, insurers are becoming more stringent. Umbrella and excess carriers are now commonly requiring a minimum of \$2M in primary coverage limits before considering additional layers of protection, reflecting heightened concerns about high severity claims in this sector.</p>
General Liability	-10% to Flat	<p>The evolving regulatory environment and unique exposures associated with cannabis operations have resulted in a difficult GL market. However, rates are starting to show signs of stabilization, with some markets offering reductions as insurers become more comfortable with underwriting in this sector. The strategies deployed by each carrier are inconsistent, especially by region. Insureds with strong safety records or more comprehensive risk management practices may benefit from more favorable rates and coverage terms.</p>
Product Liability	-10% to +5%	<p>Product liability rates have remained consistently high due to a complex and evolving regulatory landscape, coupled with increased litigation. Businesses with clean loss history and strong risk management could start to see rate relief.</p> <p>It is becoming more common for policies to sublimit coverage for product withdrawal. Note that product withdrawal coverage is not as broad as coverage in a product recall policy. Though the cost of voluntarily removing a product from the market is typically covered, under product withdrawal, additional liabilities like third-party damages or regulatory fines are not covered. With heightened scrutiny from governmental agencies, the industry expects an uptick in claims. Make sure you understand your exposure and coverage – and discuss thoroughly with your broker.</p>

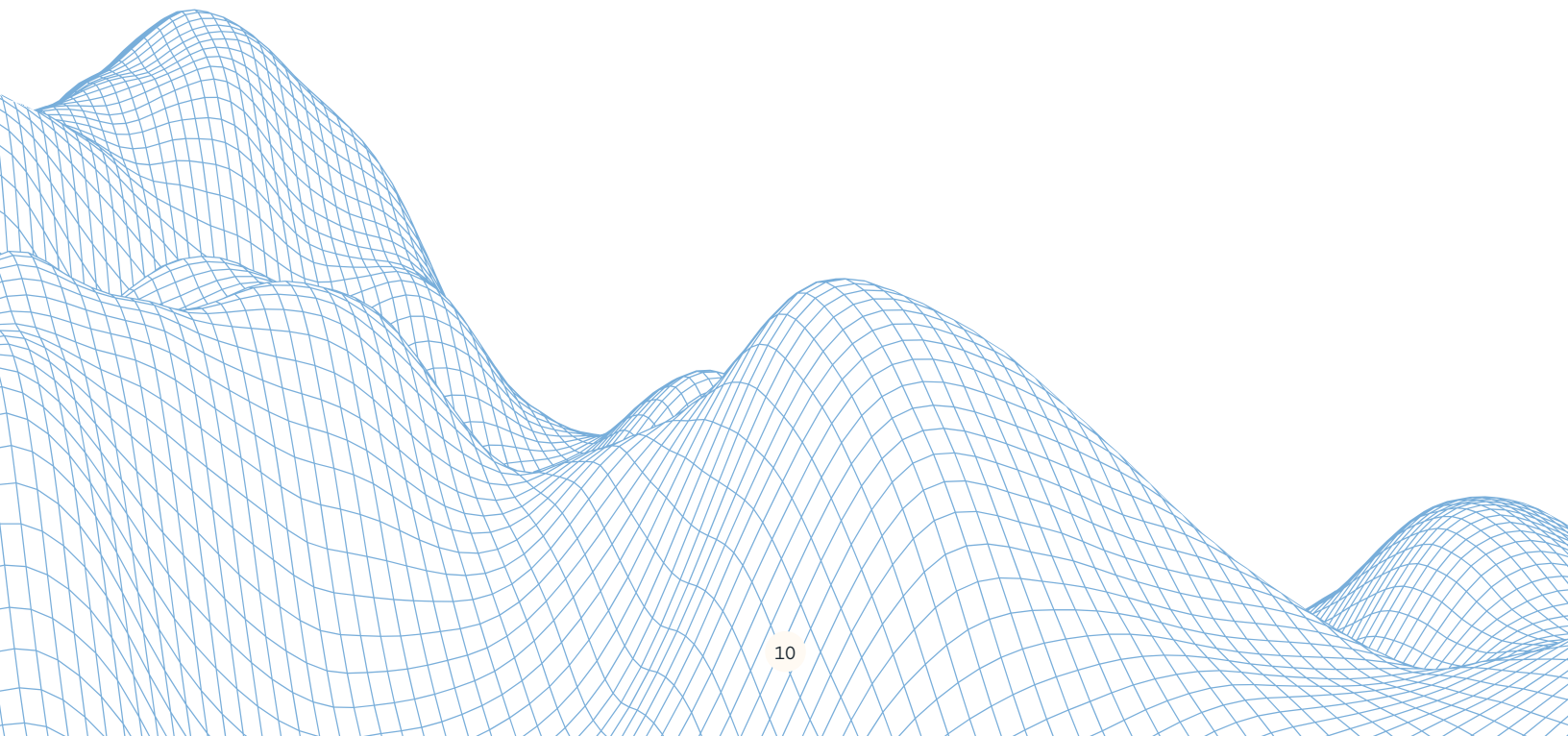
Cannabis Rate Guide — U.S.

Coverage	2025 Cannabis Rate Guide	Insights
Workers' Compensation	-5% to +5%	Businesses with well-established risk management programs and a strong commitment to workplace safety are likely to see savings in their workers' compensation premiums, while those that take a more passive approach to risk management could face rate increases. Despite the line's profitability in recent years, reinsurers are becoming increasingly concerned about the rising severity of claims. Increased workplace violence and the ongoing debate over worker classification (employees vs. independent contractors) could spell trouble ahead.
Umbrella & Excess Liability	-10% to Flat	More insureds are pursuing excess layers rather than comprehensive blanket coverage under umbrella policies due to the limited markets willing to write large primary limits for cannabis risks. Rates have stabilized — with best-in-class risks experiencing reductions — due to more competition, particularly in higher excess layers. However, businesses with a history of more severe losses, particularly those with large commercial auto fleets or significant claims history, are likely to see substantial premium increases.
Package	-10% to +5%	Though package policies are not as common for cannabis businesses, market competition has increased for smaller operations like retail dispensaries that require a combination of property, general liability and product liability coverages that are bundled with sublimited protections, such as crime and theft. Commercial package policies tend to offer greater stability by spreading risk across a larger premium pool. For dispensaries and other smaller cannabis businesses, this can result in more consistent premiums over time, as insurers gain a better understanding of the risks associated with these operations.
Commercial Property	-10% to +10%	There has been an uptick in property-related losses, particularly involving fire, smoke damage, crop loss and theft. Businesses that have invested in advanced equipment and strong risk control practices are benefiting from more favorable rates. Market recovery trends are evident, but businesses facing non-renewals from incumbent carriers, especially in single-carrier placements, are often subjected to significant rate hikes or increased deductibles and retentions. As the property insurance market continues to recalibrate based on rising loss trends, cannabis businesses will need to adopt stronger risk management practices to remain competitive and secure better terms.
D&O Private	-20% to -5%	<p>More carriers are interested in cannabis risks, leading to stronger capacity and increased appetite for private directors and officers (D&O) placements. This heightened competition has forced underwriters to take a more aggressive approach, often cutting premiums to retain business and/or offering automatic renewals. Some carriers are even providing two-year policy terms as a way to lock-in clients and stabilize pricing. This trend reflects the growing maturity and comfort with cannabis-related risks, particularly for privately held companies, which typically face fewer regulatory and shareholder challenges compared to public companies.</p> <p>Despite these favorable market conditions, businesses still need to be mindful of the unique legal and regulatory exposures in the cannabis industry. Underwriters remain cautious regarding potential governance issues and legal risks, particularly as the cannabis industry continues to evolve under state and federal law.</p>

Cannabis Rate Guide – U.S.

Coverage	2025 Cannabis Rate Guide	Insights
D&O Public	-15% to -5%	Most public cannabis companies renewing their D&O insurance have already experienced the most significant rate reductions as the market has adjusted to the evolving risk profile (increased market competition, shrinking asset values and improving financial stability). There is abundant capacity from insurers eager to maintain or grow their market share. Underwriters continue to offer aggressive terms, including favorable conditions and pricing. However, public cannabis companies still face unique risks, particularly around regulatory scrutiny and shareholder litigation. As a result, while terms are favorable, businesses must remain vigilant about evolving governance challenges in this dynamic sector.
Cyber	Flat to +5	Rates specific to cannabis are stabilizing, but carriers are pursuing increased retentions. Although breaches and outages at major service providers (i.e., Change Healthcare and CrowdStrike) have not yet triggered widespread rate hikes, they serve as warning signs of potential market hardening. As cyber risks grow in complexity and frequency – particularly for industries like cannabis that handle sensitive data and rely on tech platforms for operations – underwriters may become more cautious. This could lead to tighter market conditions in early 2025, with higher premiums and stricter underwriting requirements. Businesses must stay ahead of these trends through robust cybersecurity measures as carriers will likely scrutinize risk management practices more closely as the sector matures and cyber threats become more sophisticated.

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 daily risks. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.





HUB Cannabis

When you partner with us, you're at the center 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

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