

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%

of hospitality executives surveyed 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.

Source: 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.

Uncertainties over emerging and ongoing pressures may stifle rebound.

The North American lodging sector continued its rebound in 2024, a market expected to reach \$650 billion from \$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 \$155¹ versus \$130.50 in 2019.² U.S. restaurants also are booming, with 2024 sales likely to set all-time records of \$1.1 trillion.³

The industry enjoyed a welcome boost in 2024 due to an improving economy, as inflation and interest rates relented. Growing technology adoption continues to bolster the sector. Business travel has been slower to come back but is resurging with the accelerating return-to-office push. In 2025, it may be pivotal in helping offset a leisure travel slowdown as consumers cut non-essential spending to pay off a record \$1.14 trillion of credit card debt.⁴

Positive developments can't offset continuing drags on profitability. Hospitality's most significant operational risk remains the labor shortage and its impact on wage costs. As 2024 progressed, for example, over three-fourths of hoteliers reported staffing shortages, prompting 86% of them to increase wages.⁵ 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 26% of hospitality companies say they have enough insurance coverage to protect their profit margins.⁶



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 and liability — are under pressure as insurers grapple with losses.

1. Bismart, "[The Hotel Industry 2024-2025 in 10 insights](#)," accessed September 23, 2024.
2. Statista, "[Average daily rate of the hotel industry worldwide from 2008 to 2019](#)."
3. Axios, "[Restaurants are having their biggest year ever](#)," June 5, 2024.
4. Forbes, "[Average Credit Card Debt Study 2024](#)," September 24, 2024.
5. AHLA, "[76% of surveyed hotels report staffing shortages](#)," June 10, 2024.
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.

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, 82% of operators on the food and beverage side entered the second half of the year still on the hunt for new staff. The hottest commodities: chefs and cooks, represent 30% of open roles.⁷

Improved pay is only a partial solution, though average hotel wages have outpaced others in the overall economy by more than 20% since the pandemic.⁸ Increasingly important in this environment are benefits that are personalized and deliver an optimal employee experience. Hospitality workers highly value flexibility: 52% of hotels have adjusted work hours and location policies accordingly.

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,⁹ which policies and training can help counter.

Difficult working conditions, toxic cultures and abusive customers can hinder recruiting. One study found 37% of female and 14% of male restaurant workers had been sexually harassed, while 53% of hotel workers had experienced workplace aggression.¹⁰

However, the challenges go beyond merely keeping workers. According to the HUB International 2025 Outlook Executive Survey,¹¹ 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.

7. Expert Market, “[Food and Beverage Industry Trends 2024: Trends, Challenges and Future Predictions](#),” August 19, 2024.
8. AHLA, “[AHLA workforce report: Hotels add 700 jobs in May](#),” June 7, 2024.
9. Toast, “[How to Survive the Restaurant Industry Labor Shortage](#),” accessed September 23, 2024.
10. Florida International University, “[The costs of workplace violence are too high to ignore](#),” April 25, 2024.
11. 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.

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, 63% of the U.S. hospitality businesses responding to the HUB survey say they've adopted enterprise risk management to better anticipate and manage roadblocks to success.

Internal alignment around risk management, accordingly, has vastly improved. In the HUB survey, 75% of respondents said C-suite objectives are aligned with risk management, insurance and HR strategies, versus only 46% 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 who increase their spend on mitigation efforts will be seen as best-in-class 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. Another solution for a hard market is to shift away from a one-year placement mentality, especially when capacity is shrinking.



Commercial auto insurance rates will rise 10% or more, depending on the services offered. It will be a challenge for hotels offering courtesy van services and restaurants that do their own delivery. Outsourcing those services is one solution as a 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 labor gap and improve operational efficiencies.

But the industry must be able to effectively balance using 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 travelers want direct human contact when they have service needs.¹²

On the restaurant front, many quick-serve businesses are deploying self-ordering kiosks. They close the labor gap but also provide customer insights, driving up-selling and cross-selling. After implementing tablet kiosks, Panera saw sales surge 11.5% in two years.¹³

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.¹⁴ 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.



Talk to your insurance broker before you roll out a new technology solution. The average cost of a hospitality data breach in 2023 jumped 13% to \$3.36 million.¹⁵ 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.

12. Oracle, "[Hospitality in 2025: Automated, Intelligent...And More Personal](#)," accessed September 23, 2024.
13. QSR, "[How Kiosks Empower Guests and Boost Restaurant Business](#)," June 29, 2023.
14. Forbes, "[AI in Hospitality: Elevating The Hotel Guest Experience Through Innovation](#)," March 6, 2024.
15. Asimily, "[3 Cyberattacks That Devastated Hospitality in 2023 and 2024](#)," accessed October 7, 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.

Inflation, increasing catastrophes and nuclear verdicts 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 windows and roofing that can withstand hurricane winds or adding water sensors throughout buildings, 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.

Hospitality 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 Hospitality 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 Hospitality Rate Guide	Insights
Commercial Auto	+5% to 10%	<p>Distracted driving and social inflation remain the top reasons for claims activity. Rate increases persist to counterbalance rising costs associated with labor, new replacement vehicles and high-tech replacement parts. Expect carriers to scrutinize exposures specific to hired and non-owned auto coverage, especially for accounts with claims activity.</p> <p>Businesses with delivery services can expect higher rates as they become tougher classes to underwrite. Hotels that transport guests to the airport will also face higher premiums.</p>
General Liability	Flat to +10%	<p>Property-casualty insurance is expected to be profitable, so the overall trend in GL is stable. Carrier positions vary; results may be different due to claims activity or program design, but most clients will see modest rate increases.</p> <p>The lodging sector has experienced an increase in human trafficking litigation, triggering some insurance policies for failing to maintain a safe environment. As a result, insurers are more cautious, causing some insureds to seek coverage in the non-standard E&S market. While best-in-class risks will likely see premium increases up to 10%, those moving to E&S should anticipate a 15% to 20% upswing.</p>
Workers' Compensation	-3% to +3%	<p>Workers' compensation remains highly profitable, but reinsurers are concerned that staffing shortages could spell trouble ahead. Increased workplace violence and classification of workers as either employees or independent contractors are possible factors in rate changes. Carriers may present more attractive terms for multiline primary casualty packages, including workers' compensation.</p>
Umbrella & Excess Liability	+5% to 15%	<p>As key hospitality markets constrict excess capacity, many insureds are forced to market their program at renewal during a harder market. Expect higher rates for any risk with exposure to liquor liability.</p>
Package	Flat to +10%	<p>Insurance packages are more stable because of a bigger premium pot, with one carrier offsetting losses on any one line.</p>

Hospitality Rate Guide — U.S.

Coverage	2025 Hospitality Rate Guide	Insights
Liquor Liability	+11% to 20%	Though varying significantly by state, rates have stabilized for much of the industry, but restaurants, hotels and bars with exposure to liquor may still need coverage options from the E&S market. Businesses operating in states with dram shop laws, or those with high claims activity or increased exposures (i.e., nightclubs) will face higher rate increases and underwriting pressure at renewal.
Commercial Property	Flat to +10%	Results reflect market recovery and depend heavily on account metrics (occupancy, business class, loss control, catastrophic exposure, claims history, etc.). Accounts that are being non-renewed by incumbents, particularly single-carrier placements, are still seeing less favorable results in the form of larger rate increases and/or increased deductibles and retentions.
Catastrophic Perils	Flat to +10%	As rates in certain geographies stabilize, exceptions remain, especially for wind- and earthquake-exposed areas with histories of drastic run-up rates and premiums during the hard market cycle. Carriers will remain focused on valuations, driving increased costs for some insurance programs. Specialty carriers show signs of softening, while the standard market still works to achieve adequate rates on their book. Top concerns for underwriters are convective storm and wildfire, along with the Atlantic wind season from June to November.
Environmental	-5% to +10%	Per- and polyfluoroalkyl substances (PFAS) remain a hot topic and underwriting concern. Packaged GL and pollution rates remain steady with a few tougher classes seeing rate increases of 5% to 10%. Some carriers are limiting excess capacity coverage while others are exiting the market. Hospitality risks with exposure to legionella or vendors that dispose grease should consider purchasing an environmental policy.
D&O	-10% to +5%	Capacity between carriers for D&O placements remains strong. Underwriters are aggressively cutting premiums, giving automatic renewals and awarding two-year policies to maintain business.
Cyber	-10% to Flat	Cyber rates continue to fall. Though significant breaches/outages with service providers (i.e., Change Healthcare, Crowdstrike) haven't led to rate hikes yet, harder market conditions may occur during the first half of 2025.

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 Hospitality

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 Hospitality insurance specialist.

\$860M

in commercial insurance premium brokered by HUB

38,800

insurance policies managed

16,000

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