

INSURANCE AS A RISK MANAGEMENT TOOL IN THE TOURISM INDUSTRY

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ABSTRACT: *The tourism sector is inherently exposed to a wide range of risks, including economic volatility, natural disasters, health crises, and operational uncertainties. These risks pose significant challenges to the stability and sustainability of tourism-related activities. This paper adopts a theoretical perspective to examine the role of insurance as a key risk management instrument within the tourism sector. Drawing on existing literature from tourism studies, risk management, and insurance economics, the study synthesizes core concepts to develop a conceptual framework that explains how insurance mechanisms contribute to risk mitigation, business continuity and resilience. The analysis highlights the multidimensional functions of insurance, including financial protection, risk transfer, and confidence-building among tourism stakeholders. The proposed framework provides a foundation for future empirical research and offers theoretical insights relevant to insurers and tourism operators seeking to enhance the sustainability of the tourism sector.*

KEY WORDS: *insurance, tourism sector, travel insurance, health insurance, risk management.*

JEL CLASSIFICATION: *G22, Z30, D81.*

1. INTRODUCTION

The expansion of international tourism has generated a range of challenges, with travelers' safety and insurance emerging as critical concerns that necessitate the resolution of existing issues and the advancement of travel insurance mechanisms.

The tourism sector represents one of the most dynamic components of the global economy, contributing significantly to employment, income generation, and regional development. At the same time, tourism activities are particularly vulnerable to a wide spectrum of risks, including accidents, health emergencies, natural disasters, operational failures, and unexpected travel disruptions. These risks affect not only

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tourists but also tourism operators, transport providers, accommodation facilities, and other stakeholders within the tourism value chain.

In this context, insurance plays a fundamental role in managing and transferring risks associated with tourism activities. Tourism-specific insurance products, such as travel insurance, liability insurance for tourism operators, cancellation insurance, and assistance services, provide financial protection against unforeseen events and contribute to increasing confidence among consumers and service providers (Preda & Monea, 2013). The relevance of such insurance mechanisms has become even more evident in recent years, as the tourism sector has faced heightened uncertainty and systemic shocks.

Despite their importance, tourism-specific insurance products remain unevenly developed across markets, and their penetration varies significantly depending on economic conditions, regulatory frameworks, and consumer awareness. Assessing the efficiency and effectiveness of these insurance products is therefore essential for understanding their contribution to risk mitigation and sectorial resilience.

The objective of this article is to analyze the role of insurance products specific to the tourism sector from a risk management perspective, and also the perception of tourism operators related to the specific insurance for this sector. The paper aims to contribute to a theoretical perspective on insurance specific to the tourism sector.

2. RISK MANAGEMENT IN TOURISM

Risk management represents a rational approach to identifying and addressing risk. It should be understood as a comprehensive and continuous process encompassing multiple aspects of organizational activity, rather than being limited to a single technique or document. Within the tourism sector, risk management involves determining acceptable levels of risk exposure for tourism businesses and their clients, identifying potential hazards, and systematically evaluating these risks. This process further includes the selection and implementation of appropriate risk management strategies, as well as the development of effective responses to emergency situations (Taleski & Tashkov, 2011).

Many specific risks in tourism can be classified into four main categories, reflecting the diverse sources of vulnerability affecting tourists and tourism systems (Taleski & Tashkov, 2011).

Human and institutional environment risks. These risks arise when tourists are exposed to threats stemming from social, political, or institutional conditions at the destination. They include criminal activities such as theft, fraud, and physical assault; selective and non-selective violence; organized crime, encompassing blackmail, human trafficking; acts of terrorism or unlawful behavior directed at public institutions, including kidnapping and hostage-taking. Additional risks emerge from armed conflicts, political or religious tensions, and insufficient public or institutional protection mechanisms.

Risks related to tourism and complementary businesses. Tourism and related sectors - such as transport, accommodation, and retail - may pose risks to visitors' personal safety, physical integrity, and economic interests (Monea, 2015). These risks

include inadequate safety standards in tourism facilities (e.g., fire protection, construction defects, or insufficient earthquake resistance), poor sanitary conditions, environmental degradation, deceptive commercial practices, breach of contractual obligations, and labor disruptions such as employee strikes.

Tourist-related risks. Tourists themselves may contribute to risk exposure through behaviors such as engaging in hazardous recreational activities, unsafe driving, or consuming unsafe food and beverages. Traveling with pre-existing health conditions, violating local laws or cultural norms, engaging in criminal activities, visiting unsafe areas, or losing personal belongings, documents, or money further increases vulnerability.

Physical and environmental risks. These risks are primarily linked to natural and environmental conditions and often affect tourists who are unfamiliar with destination-specific characteristics, including climate, terrain, flora, and fauna. Additional risk factors include the failure to take preventive health measures (such as vaccinations), neglecting food and hygiene safety practices, and exposure to natural hazards associated with the physical environment (Orboi, et al., 2010).

Table 1. Mapping tourism risk categories to relevant insurance products

Risk Category	Main Sources of Risk	Relevant Insurance Products
Human and institutional risks	Crime, violence, terrorism, political instability, lack of public protection	<ul style="list-style-type: none"> - travel life and accident insurance; - travel medical and emergency assistance; - terrorism and political risk insurance; - kidnapping and ransom insurance; - civil liability insurance
Risks related to tourism and complementary businesses	Safety failures, poor sanitary standards, contractual breaches, labor disruptions	<ul style="list-style-type: none"> - property and asset insurance; - business interruption insurance; - public and professional liability insurance; - employer's liability insurance; - environmental liability insurance
Tourist-related risks	Hazardous activities, unsafe behavior, health issues, loss of belongings	<ul style="list-style-type: none"> - travel health insurance; - personal accident insurance; - baggage and personal effects insurance; - trip cancellation and interruption insurance
Physical and environmental risks	Natural hazards, unfamiliar terrain or climate, exposure to flora and fauna	<ul style="list-style-type: none"> - travel medical evacuation insurance; - natural disaster insurance; - property insurance with catastrophe coverage; - adventure and sports insurance

Insurance constitutes an integral component of the risk management process. In addition to formal instruments such as risk management plans, emergency response strategies, and communication protocols, organizations must develop a dedicated insurance plan by defining the assets and risk exposures that are eligible for insurance coverage and determines the optimal balance between risk transfer to insurers and risk retention by the firm.

The decision to purchase insurance in the tourism industry is primarily determined by the nature of a company's activities, as well as the specific risks associated with its operations.

3. THE ROLE OF INSURANCE IN THE TOURISM SECTOR

Insurance plays a crucial role in the tourism industry by providing protection against a wide range of risks that may affect both industry operators and tourists themselves. Its role can be analyzed from several important perspectives:

Protection of tourism industry operators

a) *Public liability insurance*: tourism operators, such as hotels, travel agencies, restaurants, and other hospitality service providers, are exposed to the risk of being held liable for material damage or bodily injury suffered by tourists on their premises or as a result of the services provided. This type of insurance protects operators against compensation claims and the associated legal costs.

b) *Professional liability insurance*: travel agencies and tour guides may face situations in which improper trip planning or negligence in informing tourists leads to complaints and compensation claims. Professional liability insurance covers the costs related to legal defense as well as any damages awarded.

c) *Travel cancellation or delay insurance*: for operators who organize trips and tours, this insurance protects against financial losses caused by the cancellation or delay of trips for various reasons, including technical transport problems or weather conditions;

d) *Business interruption insurance*: in the event of political risks, natural disasters, or other major disruptive events, this type of insurance supports tourism operators by covering lost income and additional expenses required to restore normal business operations.

Protection of tourists

a) *Health and accident insurance*: tourists are exposed to the risk of accidents or the need for emergency medical assistance during their travels. This type of insurance covers the costs of medical treatment, emergency repatriation, and other medical assistance services, ensuring access to necessary healthcare without having to face considerable financial costs (Preda, et al., 2021)

b) *Baggage and personal belongings insurance*: to protect tourists' personal belongings against loss, theft, or damage during travel, this form of insurance is essential. It provides compensation for personal items that are lost or damaged during the trip.

Support for the development and promotion of tourist destinations. *Political risk and natural catastrophe insurance*: tourist destinations may be vulnerable to political and natural risks, such as civil conflicts, political instability, or natural disasters. Insurance coverage of this type helps protect investments in tourism infrastructure and supports the maintenance of destination attractiveness by mitigating the financial impact of such events.

Overall, through the appropriate selection and use of suitable insurance products, tourism operators and travelers can benefit from enhanced protection against a wide range of risks and challenges that may arise during travel and holiday activities.

4. PERCEPTIONS OF ROMANIAN TOURISM OPERATORS REGARDING INSURANCE IN THE TOURISM SECTOR

For over 30 years, specialists from the National Council of Small and Medium-Sized Enterprises in Romania have conducted economic studies and analyses across various fields of activity. These works have become reference points in literature, both in Romania and at the level of the European Union.

A study conducted with support from Groupama Insurance is "*Cartea albă a turismului din Romania*" (The White Paper on Tourism in Romania), which represents the first comprehensive research initiative aimed to provide an in-depth perspective on the performance of Romania's tourism sector. The study identifies the sector's main characteristics, risks, and vulnerabilities, while also examining the internal and external factors influencing the development of tourism companies. In addition, it offers valuable insights into the key challenges and opportunities shaping this market. Risk identification constitutes an essential condition, particularly for an industry undergoing continuous growth. Accurate and timely risk identification is vital for preventing business interruptions and for minimizing potential losses and additional costs arising from unforeseen events. In the tourism sector, proactive risk anticipation and management are crucial for maintaining business continuity and preserving corporate reputation.

A part of this study is related to risks associated with tourism activities and risk management in tourism through specific insurance related to tourism sector. The following section presents the changes in the perceptions of tourism operators in Romania over the period 2019–2022, as identified by this study, with regard to risks and specific insurance in the tourism sector.

More than eight out of ten organizations included in the study hold at least one form of insurance.

Tabel 2. Insurance coverage by type of activity, 2019-2022

Insurance Status	Accommodation Units		Restaurants		Travel Agencies	
	2019	2022	2019	2022	2019	2022
Have insurance	87%	80%	77%	88%	79%	88%
Do not have insurance	13%	20%	23%	12%	21%	12%

Source: *The White Paper on Tourism in Romania, 2018-2022*

The results indicate notable changes in insurance coverage across tourism-related businesses between 2019 and 2022. Among accommodation units, the proportion of insured entities declined from 87% in 2019 to 80% in 2022, suggesting a possible reassessment of insurance costs or coverage needs in the post-crisis period. In contrast, restaurants and travel agencies recorded substantial increases in insurance adoption. The share of insured restaurants rose from 77% to 88%, while travel agencies exhibited a similar upward trend, with insurance coverage increasing from 79% to 88%. Correspondingly, the proportion of uninsured entities decreased markedly in both sectors. These findings suggest a growing awareness of risk exposure and the

importance of insurance as a risk management instrument among restaurants and travel agencies, while accommodation units appear to demonstrate a more cautious or selective approach to insurance coverage over time.

The primary reason for not purchasing insurance among uninsured respondents relates to the associated costs, cited by 41% of participants. A further 32% indicate that available financial resources are allocated to other urgent business needs. Regarding future insurance demand, tourism enterprises express the greatest interest in employee life insurance (34%), followed by employee health insurance (28%) and property and asset insurance (22%).

Tabel 3. Types of insurance held, 2019-2022

Type of Insurance	Accommodation Units		Restaurants		Travel Agencies	
	2019	2022	2019	2022	2019	2022
Motor third party liability	60%	51%	61%	38%	23%	69%
Comprehensive motor insurance	56%	29%	39%	38%	35%	52%
Property and Asset Insurance	50%	44%	43%	25%	53%	38%
Equipment and Machinery Insurance	21%	19%	16%	50%	4%	17%
Civil liability insurance	15%	18%	7%	25%	3%	12%
Employee health insurance	12%	3%	7%	0%	12%	52%
Insolvency and Bankruptcy Insurance	4%	3%	0%	0%	13%	10%
Transport (cargo) insurance	4%	6%	0%	0%	2%	19%
Employee life insurance	5%	4%	7%	13%	9%	2%
Other Types of Insurance	1%	3%	0%	3%	0%	0%

Source: The White Paper on Tourism in Romania, 2018-2022

The comparative analysis reveals both consistency and variation in insurance adoption across tourism-related activities. Motor-related insurance products (Motor Third Party Liability and Comprehensive Motor Insurance) remain among the most widely held across all business types, particularly among travel agencies, underscoring their operational dependence on transport-related assets. Among accommodation units, coverage for motor-related insurance and property insurance declined over the period, suggesting a possible rationalization of insurance costs or a reconfiguration of risk transfer strategies. Property and asset insurance shows a notable increase among travel agencies, reflecting heightened awareness of physical and operational risks.

The data indicate divergent trends in the adoption of equipment and machinery insurance and civil liability insurance across tourism-related activities between 2019 and 2022. Among accommodation units, coverage levels for both insurance types remained relatively stable, with only minor fluctuations over the period. In contrast, restaurants recorded a substantial increase in both equipment and machinery insurance (from 16% to 50%) and civil liability insurance (from 7% to 25%), reflecting growing awareness of operational, technical, and legal risks inherent in food service activities. Travel agencies also showed growth in these insurance categories, particularly in civil liability coverage, suggesting increased sensitivity to legal exposure and professional responsibility.

Coverage for employee life, and health insurance remains relatively limited, indicating potential gaps in human capital risk protection. Notably, employee health insurance among accommodation units decreased substantially, indicating reduced emphasis on workforce-related coverage.

Travel agencies experienced the most pronounced diversification of insurance coverage. Substantial increases are observed in motor liability insurance, employee health insurance, and transport (cargo) insurance, highlighting growing exposure to mobility-related, human capital, and logistical risks. Conversely, employee life insurance and property coverage declined, indicating a selective adjustment of insurance priorities.

Overall, the findings suggest a shift from traditional asset-focused insurance toward more activity-specific and liability-related coverage, underscoring evolving risk perceptions across tourism subsectors over time.

Tabel 4. Insurance of interest to the tourism sector by type of activity, 2019-2022

Type of Insurance	Accommodation Units		Restaurants		Travel Agencies	
	2019	2022	2019	2022	2019	2022
Employee life insurance	39%	24%	21%	25%	36%	33%
Employee health insurance	33%	22%	28%	75%	22%	31%
Property and asset insurance	21%	36%	25%	38%	23%	26%
Civil liability insurance	19%	12%	10%	0%	22%	24%
Comprehensive motor insurance (casco)	16%	24%	23%	13%	16%	14%
Equipment and machinery insurance	13%	21%	16%	50%	13%	24%
Transport (cargo) insurance	13%	8%	7%	0%	17%	0%
Other types of insurance	7%	1%	15%	0%	4%	7%

Source: The White Paper on Tourism in Romania, 2018-2022

The results reveal notable changes in insurance demand across tourism-related activities between 2019 and 2022. Interest in employee-related insurance products

remains strong and, in several cases, has intensified over time. Among accommodation units, demand for employee life insurance declined, while interest in employee health insurance and property and asset insurance increased, indicating a growing focus on workforce wellbeing and asset protection. Restaurants exhibit a pronounced shift toward employee health insurance and equipment and machinery insurance, reflecting heightened concern for labor-related risks and operational continuity. Travel agencies show relatively stable interest in employee life and health insurance, alongside moderate growth in property and civil liability insurance, suggesting increased awareness of legal and asset-related exposures. Conversely, interest in transport-related insurance declined across most activities, possibly reflecting changes in operational models. Overall, the findings highlight a reorientation of insurance demand toward human capital and operational risk coverage, with sector-specific variations reflecting differences in activity structure and risk exposure.

Decision-flow process for selecting insurance coverage in the tourism sector

a. Analysis of specific risks. It is imperative to conduct a thorough assessment of the specific risks associated with the event location, the nature of the planned activities, and other relevant variables in order to determine the appropriate type of insurance coverage. This detailed evaluation enables the identification of potential threats and the implementation of suitable corrective measures for effective risk management.

b. Consultation with specialists. Consulting professionals specialized in tourism insurance is recommended to obtain expert guidance in selecting an insurance policy that adequately addresses all requirements and risks specific to the planned event. Specialized insurance agents can provide expert knowledge and customized solutions tailored to the organization's particular needs.

c. Comprehensive documentation review. A careful and complete examination of the insurance policy documentation is essential. This process involves a clear understanding of policy clauses, exclusions, limitations, and specific conditions in order to avoid unexpected outcomes in the event of claims or damages. Proper documentation ensures transparency and facilitates the correct interpretation and application of the policy when necessary.

These considerations are essential in the decision-making process for selecting insurance coverage against unforeseen events and natural disasters in tourism. Insurance for unforeseen events and natural catastrophes plays a crucial role in the tourism industry by protecting businesses and ensuring continuity and stability in the face of unpredictable and severe risks.

5. CONCLUSIONS

Insurance plays a critical role in the risk management framework of the tourism sector, an industry characterized by high exposure to uncertainty, external shocks, and operational complexity. The findings highlight that while insurance coverage for tangible assets and transport-related risks is relatively well established, significant gaps persist in areas related to human capital protection and liability risks. The growing interest in employee life and health insurance underscores a shift in risk perception among tourism enterprises, reflecting increased awareness of workforce-

related vulnerabilities and the strategic importance of service quality and reputation. Moreover, disparities in insurance adoption across different types of tourism activities point to the need for sector-specific and adaptive insurance solutions. From a theoretical perspective, insurance in tourism should be viewed not merely as a compensatory mechanism, but as a strategic tool for risk transfer, resilience building, and long-term sustainability. Strengthening the integration of insurance within comprehensive risk management strategies can enhance the sector's capacity to withstand disruptions and support its sustainable development.

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