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ENVIRONMENTAL POLLUTION INSURANCE UNDER ENVIRONMENT-FRIENDLY PRACTICES IN HOTELS IN TURKEY¹

Türkiye'deki Otellerin Çevre Dostu Uygulamaları Kapsamında Çevre Kirliliği Sigortası

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ABSTRACT

Hotels can harm the soil, air, water, sea and living things during their activities. It is seen that hotels tend towards environmentally friendly practices in order to reduce and/or eliminate these environmental damages. However, in some cases, the magnitude of the damage to the environment may exceed the financial strength of the hotels. For this reason, environmental pollution insurance that covers the risks of environmental pollution that may arise during the activities of the hotels and high compensation payments can be taken out. In this study, environmental pollution insurance in hotels in Turkey is handled within the scope of environmentally friendly practices. As a result of the study, it was concluded that the environmental pollution insurance production of the hotels in Turkey has not reached the required level within the scope of environmentally friendly practices.

Key Words: Hotel, hotel insurance, environmental pollution, environmental insurance

ÖZET

Oteller faaliyetleri sırasında toprağa, havaya, suya, denize ve canlılara zarar verebilmektedir. Otellerin bu çevresel zararları azaltmak ve/veya ortadan kaldırmak için çevre dostu uygulamalara yöneldiği görülmektedir. Ancak bazı durumlarda çevreye verilen zararın büyüklüğü otellerin finansal gücünü aşabilmektedir. Bu nedenle otellerin faaliyetleri sırasında ortaya çıkabilecek çevre kirliliği risklerini ve yüksek miktarda tazminat ödemelerini teminat altına alan çevre kirliliği sigortası yaptırılabilir. Bu çalışmada Türkiye'deki otellerde çevre kirliliği sigortası çevre dostu uygulamalar kapsamında ele alınmıştır. Çalışmanın sonucunda, Türkiye'deki otellerin çevre dostu uygulamalar kapsamında çevre kirliliği sigortası üretiminin gerekli düzeye ulaşmadığı sonucuna ulaşılmıştır.

Anahtar Kelimeler: Çevre kirliliği, çevre kirliliği sigortası, otel sigortası

1. INTRODUCTION

The tourism sector, which is one of the largest sectors in the world, has a close relationship with the environment. When tourism creates negative effects on the environment, it also puts its own existence in danger. If it takes a responsibility that protects the environment and values environmental factors, it will also provide its own continuity (Gedik & Muğan Ertuğral, 2019:863).

Hotels implement environmentally friendly practices within the framework of legal obligations, commercial requirements, marketing strategies and social responsibility activities. With these practices, hotels aim to protect the environment, ensure the development of sustainable tourism, attract environmentally conscious customers and gain competitive advantage. In this context, incentive practices of public authorities such as certificates, incentives, competitions, flags and awards contribute to the hotel businesses to take sensitive measures to protect the environment.

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Both the incentive policies implemented by the public authorities and the environmentally friendly practices implemented by the hotel businesses themselves raise awareness about the protection of the environment. However, despite the high awareness of environmentally friendly practices, it is a known fact that hotel businesses can harm the environment.

Compensation of sudden and unexpected environmental pollution risks and damages that may arise during the operations of hotels is a requirement of the principle of "polluter pays". This principle brings along the principle of responsibility. However, the magnitude of the environmental damage caused can exceed the financial strength of hotels. Environmental insurance can be considered as a tool to increase the awareness of hotel managers about the environment, to minimize or eliminate the damage caused and to solve the large-scale compensation liability that may be exposed due to environmental damage.

2. LITERATURE REVIEW

Rapid population growth, unplanned urbanization, uncontrolled and rapid consumption of resources has caused significant damage to the environment. This process has brought along problems such as global warming, climate change, ecological balance deterioration, and natural disasters. For these reasons, environmental protection has reached international dimensions, and sectors such as tourism, which are in close relationship with the environment, have been directly affected by this process.

The official institutional recognition of the environmental threat posed by the growth of global tourism was in 1979 when the World Tourism Organization established the Environment Committee to address the issue of protection (Hughes, 2002:460-461). In 1982, a series of principles were determined under the United Nations Environment Program (Ceballos-Lascurain, 1996). Although it was not specifically mentioned in the first Rio Summit in 1992, tourism was considered as a special topic in the 1997 Agenda 21 review (Connell & Page & Bentley, 2009:868).

Since 1992, the trend in the hospitality and tourism industry has been to focus on environmental concerns, the use of technology and the efficient use of energy. All these developments have led to the development of an environmentally friendly business approach in tourism. Environmentally friendly practices considered within the scope of environmental management become an important success factor and source of competitive advantage in the tourism sector, especially when they improve performance levels in hotel businesses. Moreno et al. among the results obtained in their study with 268 hotels, it shows that groups with a more advanced environmental management see environmental protection as a source of competitive advantage, unlike groups with a less developed environmental management (Moreno et al., 2004).

In the 2000s, studies on the pressure of tourism on the environment gained speed. Each international tourist in Europe generates at least 1 kg of solid waste per day (IFEN, 2000 & UNEP, 2003). In fact, tourists from developed countries probably produce more (up to 2 kg/ person/day for the United States-EPA, UNEP/Infoterra) (UNEP, 2003). The global figure for solid waste generated by domestic and international tourism is estimated to be close to 35 million tons per year (UNWTO, 2012:21). However, most of world tourism is concentrated in areas with highly sensitive ecosystems, particularly in coastal or mountainous regions (UNEP, 2003). This situation also negatively affects biodiversity.

In addition, consumers' awareness of the environment and their preference for environmentally friendly products direct hotel businesses to environmentally friendly practices. According to the results of Han's study people who are sensitive to social pressure and moral norms are more likely to choose environmentally friendly hotels (Han, 2015). Therefore, businesses can increase the awareness of guests about environmental problems and green practices caused by hotels. These efforts will create a significant environmental pressure on the guests and pave the way for them to prefer eco-friendly hotels.

Manaktola and Jauhari (2007) found in their research on hotels in India that consumers are environmentally conscious and that hotels' environmentally friendly practices have an impact on consumer preferences and choices (Manaktola & Jauhari, 2007). Hotel marketers believe that the active participation of hotels in environmentally friendly practices is a basic prerequisite for attracting and maintaining environmentally friendly customers. These customers always prefer environmentally friendly products and are willing to buy. In response to this urgent need, travel agents like TripAdvisor have started to rate hotels' green implementation levels (Kim et al., 2017:578).

Despite their environmentally friendly practices, hotels can harm the environment. Serious economic costs may be required to compensate for these inevitable damages. In addition, it is possible that the damages that hotels will be exposed to may increase due to legal responsibilities. For this reason, environmental insurance comes up to reduce the financial and legal consequences of these environmental damages.

In this context, the Environmental Responsibility Directive, in which the European Union sets common policies for the protection of the environment and natural resources, places special emphasis on environmental insurance. The Directive recognizes environmental insurance as one of the most popular financial instruments (European Union, 2013:18). In Turkey, the European Union membership process, which is also made legal arrangements for the protection of the environment. There are diverse and comprehensive insurance applications in order to meet the environmental damage exists in Turkey.

3. DAMAGES THAT HOTELS CAN CAUSE THE ENVIRONMENT

The diversification of tourism activities, the increase in the number of people participating in tourism and the increase in the number of touristic enterprises are realized as a natural process. It is inevitable that some negative consequences will arise depending on these developments. Environmental pollution is one of these negative consequences. Environmental pollution can appear in the form of air pollution, light pollution, soil pollution, water pollution, noise pollution and visual pollution. Although their sizes and reasons are different, the activities of all sectors can cause environmental pollution. Damages that occur depending on the type of pollution can be temporary or permanent.

The damage caused by hotels to the environment and the problems in the sustainability of tourism as a result of the growth of these damages every year have forced many sub-sectors, especially the accommodation sector, to seek different ways. In this context, environmentally friendly practices have diversified and increased (Akdağ, vd. 2014:259). Environmentally friendly practices of hotels include activities such as water saving, solid waste management, recycling, energy use, developing sustainable environmental strategies, and raising environmental awareness (Dinçer & Gedik, 2010). In this context, LEED (Leadership in Energy & Environmental Design), ISO 14000 and ISO 14001, GreenGlobe, GTBS (Green Tourism Business Scheme), Travelife (Sustainability in Tourism), Green Key, TUI Umwelt Champion & Eco Resort are some of the environmentally friendly applications in hotels.

It is a known fact that despite the environmentally friendly practices of hotels, hotel businesses can harm the environment. While it is thought that the damage caused by hotel businesses to the environment is not great, researches show that the accommodation sector is as harmful to the environment as the manufacturing sector (Memiş, 2019:655). Waste from hotels can be divided into two groups: wet (organic / biodegradable) and dry waste. Wet wastes are composed of food wastes. Therefore, the amount of food waste should first be reduced to the minimum level (Wagh, 2013; Omidiani & HashemiHezaveh, 2016:671). The general expectation is that hotels implement measures and practices that will not harm the environment. However, it is also known that hotels sometimes cause environmental damage due to unexpected accidents or recklessness. This situation can be seen more especially in terms of hotels operating on the water or seaside. Environmental damages that cause financial and legal responsibilities can have serious consequences for hotels.

4. RESULTS AND DISCUSSION

4.1. Environmental Liability Directive Protecting Europe's Natural Resources

It is widely accepted that the protection of Europe's natural resources such as protected species, habitats, water and soil, and the ecosystem is an important factor for the functioning of a healthy economy and society. The enormous pressures on the environment, including huge losses of biodiversity, have made it a priority to implement incentives and measures to avoid damage to the environment through human activities. Environmental responsibility practices in the member states of the European Union differed in terms of environmental damage coverage and improvement requirements. The European Union implemented the European Union Environmental Liability Directive 2004/35/CE in order to uniformize the different practices in the member countries regarding the prevention and improvement of environmental damages in 2004 (European Union, 2013:5).

This innovative regulation introduces a comprehensive application for environmental damages based on the principle of "polluter pays" for the first time in EU. With the Environmental Liability Directive, those who

cause environmental damage are held responsible for the elimination of the damage that may occur, and environmental damage is prevented from the very beginning. The Environmental Liability Directive also holds that people whose activities pose an imminent threat to the environment are responsible for taking preventive measures. EU member states were asked to harmonize their domestic legislation with the Directive by 30 April 2007 (European Union, 2013:5).

The Environmental Liability Directive does not prescribe financial guarantees to practitioners to meet their potential obligations. However, it supports member states to develop financial instruments. In the Directive's implementation until 2013, environmental pollution insurance has proven to be the most popular tool covering environmental liability. The insurance and reinsurance industries provide coverage for the prevention and improvement of environmental damage (European Union, 2013:18).

Environmental insurance started to emerge in developed countries in the late 1980s. It is applied in every member country of the European Union. The introduction of environmental insurance has been one of the definite conditions for the Czech Republic's EU membership (Vávrová, 2011:113). Although environmental insurance is applied in EU member countries, the history of insurance, insurance demand rate, insurance rate, insurance accessibility level, policy coverage and coverage limits differ between countries. With the Directive, it is aimed to eliminate the different insurance practices between member countries.

4.2. Environmental Pollution Insurance in Turkey

During the commercial and industrial activities, environmental insurances are made for the purpose of compensating the damages that the businesses may cause to the environment and eliminating the pollution that occurs. In line with the development of environmental responsibility awareness, legal regulations on reducing and preventing environmental pollution lead businesses to take new measures. Under environmental legislation in Turkey "Coastal Facilities Sea Pollution Compulsory Liability Insurance, Compulsory Third Party Liability for Dangerous Materials and Hazardous Waste Insurance and Environmental Pollution Liability Insurance" three different insurance application to be available.

Coastal Facilities Marine Pollution Compulsory Liability Insurance

The insurer guarantees legal liabilities that encumber the insurance holder due to cleaning costs, costs to be made for removal of collected wastes, damages due to injury or death of third parties and damages occurring in special goods which are all caused by the pollution or risk of pollution accrued in marine jurisdiction consisting of Turkish inland waters, coastal waters, continental shelf and exclusive economy region in consequence of an event arising from the coastal facility specified in the policy (Insurance Association of Turkey, 2007). Activities of hotels in Turkey are not covered by this insurance. Therefore, hotels are not obliged to take out this insurance.

Compulsory Third Party Liability for Dangerous Materials and Hazardous Waste Insurance

This insurance covers the liability of the flammable, inflammable, explosive and caustic material manufacturers, transferors or sellers and warehouses against the material and/or bodily damage or loss of third parties directly resulting from these materials up to the limits indicated on the policy. This insurance provides covers the liability to be incumbent on natural and legal entities working on the production, storage, transportation, sale and usage of all kinds of flammable, inflammable, explosive and caustic material in natural or synthetic, gas, liquid or solid state collection, transportation, temporarily and interim storage, recycle, reuse and removal of garbage in framework of Environment Law No. 2872 as a result of loss or damage of third parties arising from an accident in course of their professional activity even if they are faulty or not within the limits written on the policy (Resmi Gazete, 1983). Activities of hotels in Turkey are not covered by this insurance. Therefore, hotels are not obliged to take out this insurance

Environmental Pollution Liability Insurance

Unlike the insurances described above, Environmental Pollution Liability Insurance is an optional insurance type that is not mandatory. Hotels can have Environmental Pollution Liability Insurance in order to meet the destructive financial and legal consequences of the environmental damage they may cause.

Environmental Pollution Liability Insurance guarantees the indemnity claims directed to the insured in accordance with the environmental legislation due to the sudden and unexpected pollution of the soil,

ground waters, inland waters, seas and air or the danger of pollution. Environmental Pollution Liability Insurance mainly compensates the costs of cleaning, transportation and removal of wastes due to material damage, death, disability and bodily damages caused by the pollution caused by the activities of the insured facility, and the danger of contamination or pollution (Insurance Association of Turkey, 2011).

Environmental pollution can be covered by Environmental Pollution Financial Liability Insurance alone, or as an additional coverage within the Hotel Package Insurance. According to the General Conditions of Environmental Pollution Financial Liability Insurance mentioned above, a limitation has been placed on the environmental pollution covered. According to this limitation, not all kinds of environmental pollution, but sudden and unexpected environmental pollution is covered by insurance. Turkey Environmental Pollution Liability Insurance in Table 1 is located in the data (2014-2020).

Table 1: Turkey Environmental Pollution Liability Insurance Data

Year	Number of Policies	Total Insurance Premium (TL)
2020	87	2.000.032
2019	69	25.666
2018	50	25.516
2017	38	112.833
2016	27	621
2015	24	563
2014	17	295

Source: Compiled from Insurance Association of Turkey Data, <https://www.tsb.org.tr/resmi-istatistikler.aspx?pageid=909> (06.10.2021).

When the data in the table is analyzed, it is seen that the number of Environmental Pollution Financial Liability Insurance policies and total written premiums have continuously increased in the period of 2014-2020. Although there was no significant increase in the number of policies in 2017, total written premiums increased at a high level. This result may be due to the high regulation of the coverage of some insurance policies and the policy premiums in direct proportion to this.

Although there was no significant increase in the number of policies in 2020, total written premiums increased at a high level. One of the reasons for this is that a foreign insurance company, which started to operate in the Turkish insurance sector, started to issue policies with high coverage and high premium in the Environmental Pollution Financial Liability Insurance branch.

Turkey Insurance Association in 2020, according to the non-life in Turkey (elementary) total insurance premium production in the domestic industry is about TL 66,75 billion. In view of this data, it is a fact that the production data of Environmental Pollution Liability Insurance is insufficient and far below the potential.

5. CONCLUSION

10/10/2020 Ministry Licenced the total number of Establishments in Turkey is 4.853. The total number of Municipality Licenced Establishments are 8,592. 457 of these hotels have the status of Eco-friendly hotels and received green stars (Ministry of Culture and Tourism, 2020). When these data are compared with the number of policies, it is seen that the Environmental Pollution Financial Liability Insurance is applied at a very limited level in hotels, the number of existing policies is far behind the potential, this insurance is not widely applied or cannot be done for various reasons. In addition, environmental damages that occur gradually and in time are excluded from the scope of Environmental Pollution Financial Liability Insurance and the low environmental pollution coverage limit given in the policies in practice are the main problems.

Environmental pollution insurance, which has a significant potential, needs to be reconsidered by the public authority with an innovative perspective. It is necessary to make the insurance more attractive by expanding its scope in line with the requirements of hotels, and to include hotels among the enterprises obliged to have environmental insurance. In this way, it will be prevented to a large extent that the hotels will transfer their risks on environmental pollution to insurance companies and face legal responsibilities and compensation payment obligations that exceed their financial strength. Environmental Pollution Financial Liability Insurance should be considered as a management policy tool not only for hotels but also for other businesses operating in the tourism sector and potentially harming the environment. In addition to its main purpose, Environmental Pollution Financial Liability Insurance can also be considered as a

marketing element in order to attract tourists who are sensitive to environmental values. It may be possible to attract more tourists by making the business activities for environmental protection more visible and by raising awareness.

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