



A Comparative Study: of the Impact of Conventional and Contemporary Risk Management Practises in Resilience Building of General Insurance (Non-Life) Companies in Sri Lanka

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Abstract

This comparative study is to analyse the differences and similarities between the conventional risk management systems and contemporary risk management practises and their impact on resilience-building strategies in the context of the Sri Lankan general insurance industry. The study has been conducted using a thematic synthesis approach based on secondary data analysis from literature reviews abstracted from various scholarly sources related to risk management and general insurance practises. The motivation for the study is to explore the untapped dimension of risk management practises and its contribution to the management decision-making in resilience building, while being prepared for any catastrophic pressure from the external environment. The research has related various fundamental theories advocating insurance risk management in various aspects, which also shapes the impact of resilient building and two substantive theories most related to risk management practises in the Sri Lankan context: ERM theory and resilience theory. Based on the findings from the literature review, this study compares the differences, similarities, pros, and cons of contemporary ERM practices between the upgraded versions of the integrated dashboard practice and the resilience-orientated scenario planning framework, as well as their contributions to management decisions regarding resilience-building strategies. The study has provided a comprehensive illustration of current practices and the integrated framework, facilitating the reader's understanding. In the findings and discussion section, the author has thoroughly detailed the characteristics of each mechanism and their impacts on underwriting, organisational management, and regulatory reforms. The study's contribution to academic, industrial, and regulatory perspectives has also shaped the conclusion. Recommendations have been made for future empirical research and for revisiting industry protocols and guidelines to develop resilience strategies for evolving and emerging risks.

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Abbreviations

AML	Anti Money Laundering
CFT	Combating the Financing of Terrorism
COSO	Committee of Sponsoring Organizations of Treadway Commission
CSE	Colombo Stock Exchange
DMT	Department of Motor Traffic
ERM	Enterprise Risk Management
FDI	Foreign Direct Investment
FIU	Financial Intelligence Unit
FLA	Finance & Leasing Association
GI	General Insurance
IAIS	International Association of Insurance Supervisors
ICT	Information and Communication Technology
IRCSL	Insurance Regulatory Commission of Sri Lanka
IRD	Integrated Risk Dashboard
MBO	Management by Objectives
NITF	National Insurance Trust Fund
RBC	Risk Based Capital
ROA	Return on Asset
ROE	Return on Equity
UoC	University of Colombo
VBM	Value Based Management

1. Introduction

1.1 Industry Background and the Gap

General Insurance (hereafter GI), or non-life insurance, is a key component in the financial service sector and a globally recognised risk protection phenomenon. GI indemnifies the financial loss of damage right before the loss (Kroll, 1969). GI practice is classified into main channels, such as motor, general liability, health, and marine (Mishra & Mishra, 2011). Although certain countries have their own classifications based on risk variations specific to their contexts, the primary classification serves to facilitate risk management practices. The main difference between a life policy and a GI policy is that a life policy is a long-term contract that provides financial protection upon the death of the insured, with the benefits being paid to the nominated beneficiaries (Dragos, 2014). In GI practises, the policy terms and conditions are mainly designed as annual policies to be renewed annually or on an event basis to provide the coverage for a short period of time. GI policies encompass a wide range of products that cater to both individuals and large corporations. GI practises have been built on seven key fundamental principles, such as insurable interest, utmost good faith, indemnity, proximate cause, subrogation, contribution and loss minimization (Chazal, 2025). Due to the critical nature of risk absorption, which is always measured in monetary terms, the GI sector is highly regulated globally to ensure that the best interests of both the firm and the customer are maintained (Klein, 2009).

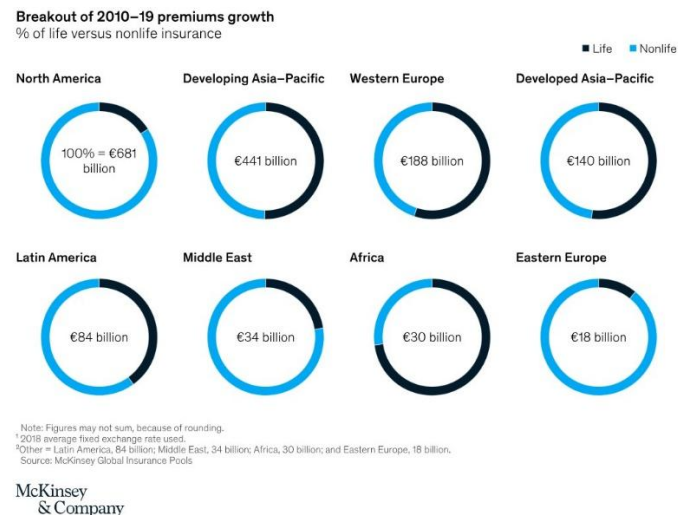


Figure 1. Global aspect of percentage of Life vs. Non-Life (GI) premium contribution

Source: McKinsey & Company Group

According to the latest market research findings about the Sri Lankan insurance sector, the life insurance segment is larger than the general insurance sector, and it benefits positively from gaining family-oriented traction due to the influence of cultural beliefs and norms (Mordor Intelligence, 2025).

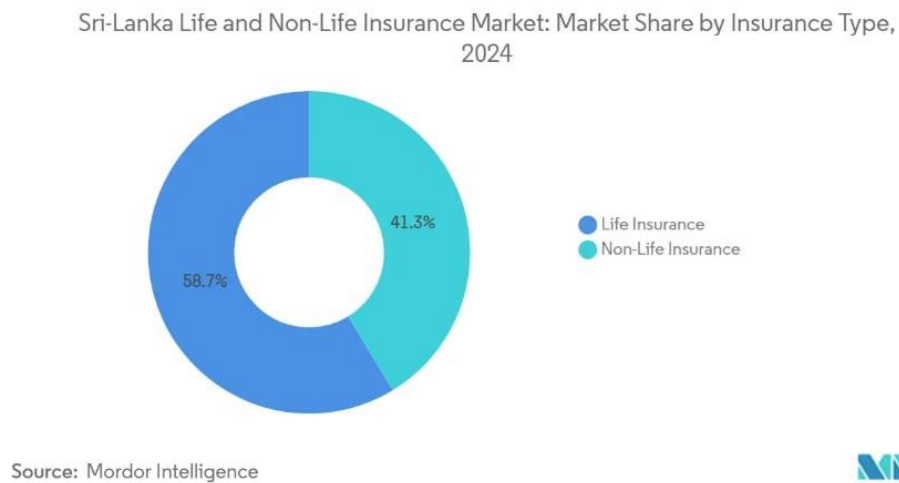


Figure 2. The market share of the Sri Lankan insurance market, comparing life insurance to general insurance

However, industry growth in Sri Lanka is increasing despite the resilience of macroeconomic factors and digitalization; the GI penetration rate is substantially lower compared to other regional peers. As a sector, the GI penetration rate in Sri Lanka remains lower than 1% compared to neighboring countries (Mordor Intelligence, 2025). The life insurance component has remained comparatively larger as the product spectrum is coupled with health insurance facilities. Furthermore, the Insurance Industry Act, No. 43 of 2000 (IRCSL, 2025) regulates the Sri Lankan insurance sector.

Since GI is driven by the risk-transferring mechanism, the risk identification, assessment, control, monitoring and mitigation are pivotal in GI operation, and the majority of the Sri Lankan corporates practice the ERM framework as a holistic approach in risk management (Alawattegama, 2019). Therefore, to ensure long-term sustainability, insurance companies should adhere to proper risk management practices, as these practices will help the business remain resilient even in times of calamity (Tripp, et al., 2008). In highly volatile nature

of the GI market, proper risk management practises have a direct impact on the long-term performance of the insurance company (MJV Team, 2022). Previous studies conducted in the Sri Lankan context show that, although the ERM framework leads to measurable outcomes in identifying, assessing, monitoring, and controlling risks, conventional ERM practices have sometimes negatively impacted organisational performance; therefore, emerging ERM practices are essential for strategic decision-making and resilience (Alawattegama, 2019). Simultaneously, some empirical studies reveal that the operational outcomes of the insurance companies are shaped by the risk-specific management practises in the scope of underwriting, technical provision and reinsurance as well (Sooriyaarachchi & Buddhika, 2024)

Reinsurance is another main practice followed by the insurance companies to mitigate the risk exposure and improve resilience. As an example, the ceding party or the insurance company transfers the high-risk exposure to the reinsurer but retains the asset exposure for the underwriting profitability and other top-line indicators (Amarasena, 2021).

In previous research it has been found out that there is a considerable gap in that conventional ERM practises are not adequately functioning in terms of risk management and implementation processes due to the effect of various external factors. Hence, the emergence of contemporary ERM practices is essential for managerial decision-making and organisational resilience in the evolving nature of insurance, which faces complex risk exposures from natural disasters, regulatory changes, and other external influences.

1.2 Research Objectives

The primary objective of this research is to explore how the existing risk management practises impact the Sri Lankan GI practises and how the contemporary risk management practises will enable the outcome of risk absorption, adaptation and resilience from micro- and macro-environment shocks.

1. The aim of this study is to conduct a comparative study of the conventional risk management practices and contemporary risk management practices that influence the resilience of the Sri Lankan GI sector.

2. To understand the mechanism of risk management practises that contribute to the organisational performance.
3. The aim is to examine how the external factors impact the company performance and the role of risk management in resilience.

1.3 Research Questions

The research will be structured to discover answers for research questions; those are the navigation of the whole research process. To find the influence of the risk management practices in terms of the organisational resilience in the Sri Lankan GI sector, the below questions will guide the whole exercise.

Question: 1. What are the key disparities between traditional and contemporary risk management practises acquired by the Sri Lankan GI companies in terms of organisational resilience?

Purpose: To explore the more profound knowledge about how the traditional and contemporary risk management practices influence the Sri Lankan GI practices and compare disparities with a comprehensive analysis without a normative judgement.

Question 2: How do the risk-management mechanisms contribute to the organisational performance and coordination of the management decisions and resilience strategies?

Purpose: To investigate how the mechanism of relevant risk management processes contributes to the strategic decision-making by the management and how influential it is in management decision-making.

Question 3: How do the risk management practises support resilience response to the turbulence's impact from the external environment?

Purpose: To analyse the degree of influence generated by the external environment, such as natural disasters, macroenvironmental factors, market volatility, and regulatory changes.

1.4 Significance of the Research

This research is mainly focusing on exploring the discrepancies between contemporary risk management practises in the Sri Lankan GI sector and how the contemporary risk management practises contribute to the management decision-making and organisational strategic goals as a resilience-building mechanism. As the previous empirical studies are mainly based on identifying the role of risk management practice as a key criterion of monitoring the company's financial stability and measurable performance based on ROE, ROA and solvency margins have not been found in outcomes as a resilient building mechanism. Hence, this study will provide valuable insights for advancing contemporary risk management frameworks from a resilience-oriented perspective, guiding the organisation in making management decisions to effectively respond to various uncertainties. Additionally, this study will provide scholarly contributions to the limited literature that has primarily focused on economic variances, by examining how conventional risk management practices are affected by external pressures such as natural disasters, economic instability, and regulatory changes.

1.5 Actionable Contribution

This research will primarily contribute to the industry in three main areas: policy development, improved management practices, and overall organisational development. The findings of the study will encourage regulators to reassess the institutional legitimacy of the policies and laws governing customer safety and industry governance. Thereby the regulator may consider more sector-specific protocols and implementations without imposing excessive burden on compliance. To improve managerial practices, the study will contribute insights into how the risk management mechanisms are being segregated among the various departments, such as underwriting, reinsurance, actuarial, finance and claims, for the stern direction of resilience building. At the organisational level, the study will provide contributions for the processes and procedures aligned with enterprise risk management, enabling strategic planning for coordination in a risk environment. Overall, this study provides industry-specific insights that industry practitioners and policymakers in the Sri Lankan GI market can apply.

2. Literature Review

Resilience has multi-diversified disciplines related to psychology, sociology, biology, etc., and it is defined by the capacity of a person to be positively adapted for recovering from any adverse impact (Herrman, et al., 2001). Another research notion is mentioned: that ‘bouncing back’ is the main feature of resilience (Pooley, et al., 2010). According to McKinsey, resilience in business is how an organization adapts and thrives to grow in any hostile environment (McKinsey & Company, 2023). In the recent past globally, the entire business world confronted the world-challenging pandemic COVID-19, and organisations driven by ideal resilience strategies have established their business for continuous growth. Rashim Arora explains that the operational resilience insurance sector is always complex with several considerations, such as the evolving nature of the customer's needs, external risks, and technological advancements (Arora, 2021). Regulators further define organisational resilience as the company's ability to prevent, adapt, respond, and recover from any operational disruption (FLA, 2021). In a crisis within an insurance company, blame is often directed at the Enterprise Risk Management (ERM) system, while resilience is built through various risk management processes, including ERM for risk mitigation, Value-Based Management (VBM) for risk recovery, and Management by Objectives (MBO) for risk prevention (Berliet, 2009). In a crisis within an insurance company, blame is often directed at the Enterprise Risk Management (ERM) system, while resilience is built through various risk management processes, including ERM for risk mitigation, Value-Based Management (VBM) for risk recovery, and Management by Objectives (MBO) for risk prevention (Berliet, 2009). Therefore, ERM plays a crucial role in insurance risk management. In the Sri Lankan insurance context, the risk exposure is mainly divided into three variables, such as reinsurance, technical provisions and underwriting risks (Sooriyaarachchi & Buddhika, 2024), and poor risk management causes monetary losses (Mallam Fali, et al., 2020). In consequence, appropriate risk management provides due protection and reduces the cost associated with the risk exposure (Wani & Ahmad, 2015). The discussion will focus on the theoretical framework that underpins risk management practices in the Sri Lankan GI sector. The risk management practises are fundamentally based on several theories which provide an academically strong foundation for designing the relevant risk management frameworks. As emphasised by scholars, risk management practises are common across the world (Collier, et al., 2006), and risk control systems are contingent on three variables, such as central government policy, ICT and organisational size (Woods, 2009). The Austrian-

American psychologist Fred Fiedler found the **contingency theory** in 1967 related to leadership (Team Asana, 2025). Contingency theory highlights that organisations are open systems that continuously interact with the environment and adapt to the different external pressures (Lawrence & Lorsch, 2006). According to Otley, the contingency theory emphasises that the effectiveness of an organisation depends on the balance between the internal and external conditions (Otley, 2016). Therefore, there is no best practice in risk management, as it depends on the size of the company and its level of risk exposure (Aclaint, 2016). In relation to the Sri Lankan GI risk management practices, contingency theory provides guidance for management to make flexible and appropriate decisions in response to catastrophic impacts from the external environment, thereby enhancing strategic resilience control measures. The agency problem, which arises between the owner and the manager, forms the foundation of **agency theory** (Panda & Leepsa, 2017). Complex contractual agreements fundamentally build insurance companies, and the agency theory examines the interaction between the contractor and the participant (Fields & Tirtiroglu, 1991). Hence, conflicts may arise in every contract involving the policyholder and agent, the agent and manager, and the management and agent, where the principles of agency theory are applicable. Remuneration forecasts of agency commissions are a prominent application of agency theory. In this context, the principal (management) expects the agent to dedicate their best productive capacity in exchange for an agreed remuneration based on their mutually established business strategies (García, et al., 2023). In the meantime, payments for all stakeholders including staff, reinsurers / co-insurers, regulators (NITF), government bodies (DMT), customers, intermediaries, and sales agents could be affected by management decision making; finally, a breach of trust could any time negatively affect the organisational resilience mechanism. **Stakeholder Theory** is a profound theory that explains business ethics and organizational management (Mahajan, et al., 2023). A stakeholder is one main pillar of the corporate structure of an insurance organisation. Stakeholders have a direct impact on the development of the balance of economy entities, and they influence corporate ethical governance as well (Loskutova & Khnykina, 2020). In GI practice, risk management affects not only the organisational financial performance but also the entire stakeholder network. Stakeholder theory invites insurers to practice ethical underwriting, claim settlements, risk management, and transparent reporting to make sure the business is not only profitable but socially and ethically responsible as well. The **system theory** underscores that insurance practices are not isolated entities, but rather a socially interconnected system (Owadally,

et al., 2018). According to the system theory, the insurer, the regulator, the reinsurer, the agent, the customer and the management are all interconnected in a dynamic system (Sooriyaarachchi & Buddhika, 2024). Therefore, key decision making in risk management and resilience building will have direct impact on all the members in this dynamic system.

2.1 Substantive Theories

This section discusses the substantive theoretical background for the current risk management practices in the Sri Lankan GI sector. The Enterprise Risk Management Theory (ERM) and the Resilience Theory preliminarily apply to the industry studies.

The **ERM theory** evolved through the contributions of the researchers and organisational practitioners from 1990 to 2000. It has been developed by COSO members and scholars like Nocco & Stulz (Nocco & Stulz, 2022). ERM promotes a comprehensive and holistic approach to identifying, assessing, monitoring, and mitigating risks interconnected with management decisions, which leads to organizational resilience (Bogodistov & Wohlgemuth, 2017). In the Sri Lankan GI sector, the ERM theory is fundamentally applied due to the high risk and complicated nature of the risk aligned in underwriting, claims, catastrophic exposure, regulations and operational risks. (Lam, 2014) explains this scenario. By evaluating the risk inbuilt in underwriting, reinsurance, and financial ratios, ERM Theory supports more consistent management decision-making (Marx, et al., 2016). Scholars highlight that ERM theory plays a role in risk governance and appetite, which transfers a significant responsibility to the management for taking strategic decisions to enhance the risk tolerance level and the risk absorption activities (Fraser & Simkins, 2016). GI firms often use the risk appetite to balance the product portfolio and to manage the risk exposure. From a GI perspective, the ERM theory has been related to the system theory and the contingency theory, which explain how effective ERM practices structure the risk management process to adapt to the external shocks from regulations, economical fluctuations and natural disasters (Arena, et al., 2010). In general, the ERM theory contributes a strong conceptualised foundation for the integrated risk management system, which has a direct impact on organisational resilience, especially in a highly fluctuating market environment in the Sri Lankan GI sector.

The **Resilience Theory** was founded in 1973 by C. S. Hollings (Holling, 1973). According to Holling, resilience is the ability of the system to return to equilibrium after a shock. Further, the theory explains how organizations anticipate, adapt, and recover from any negative impacts (Holling, 1973). Subsequently, the theory has evolved, as resilience is the adaptive and transformational capacity of an organization that has been affected by any uncertainty (Walker, et al., 2004). In Resilience Theory, the dynamic capacity of an organization is explained as its ability to absorb sudden shocks or prolonged external pressures (Lengnick-Hall, et al., 2011). In the context of GI risk exposure within Sri Lanka's highly unpredictable market environment, this external pressure includes large-scale natural disasters, claims volatility, regulatory reforms, and macroeconomic influences, while the theory guides the development of a robust risk management protocol. The difference between robustness and adaptability is one key principle of resilience theory (Duchek, 2020), which plays a vital role in GI operation by designing an adaptive underwriting process, responsive claims handling, and flexible finance management on a scale of external impact. According to the theory, anticipating capabilities in scenario planning and stress testing enables organizations to resist the shock and remain unchanged (Taleb, 2012). Overall, resilience theory provides valuable insights for risk management practices in GI operations by enhancing the capacity for strong adaptability, which is essential for prolonged business sustainability.

2.2 Empirical Papers

To get a broader knowledge about the current risk management practices in relation to the GI operation, the author has studied the four empirical papers mentioned below that have been studied for the similar research scope in a geographical context of Sri Lanka and South Asia.

The research paper '*The Impact of Insurance-Specific Risk on Firm Performance of Listed Insurance Companies in Sri Lanka*', published by **Sooriyaarachchi and Budhdhika (2024)**, has explored the insurance-specific risks affecting the operation, function and structure of the Sri Lankan insurance companies. They conducted the research using 27 firms in Sri Lanka. They have considered reinsurance, technical provisions and underwriting risks as independent variables, whereas ROE and ROA have been used to measure organisational performance as dependent

variables. The study has used secondary data, and the research has been designed according to the ex-post facto research design. By adding more insightful inputs, the study recommends that Sri Lankan insurance companies should provide adequate provisions for the outstanding claims and consider their reinsurance capacities and risk retention ratios by complying with appropriate risk management practises (Sooriyaarachchi & Buddhika, 2024).

The empirical work of **Doss and Tiwari (2025)**, studies about '*Measurement of Risk Culture in General Insurance Companies in India: An Empirical Validation Using a Causal Model*', examine the organisational risk culture and its impact on risk management performance. Using previous literature reviews, a conceptual model has been developed, which reveals five factors that shape organizational risk management performance. Primary data has been collected from Indian GI companies and finally the study exposes that risk culture has a direct and strong impact for the risk management practises. In relation to this study, the analysis is a strong comparative exercise, as most of the South Asian countries are practising similar mechanisms in terms of risk management (Doss & Tiwari, 2025).

The empirical study done by **Muthusamy et al. (2023)**, on *Financial Soundness of the General Insurance Industry in Sri Lanka: A CARMELs Approach, in Digital Transformation, Strategic Resilience, Cyber Security and Risk Management*, has been conducted in the context of the Sri Lankan GI sector. : It has explored the financial soundness of the GI industry by using the CARMELs framework, which stands for capital adequacy, reinsurance, assets, management quality, earnings, liquidity, and sensitivity. Although this study has been conducted on financial indicators such as capital adequacy, reinsurance and expenses ratio, it has revealed that said risk indicators have a direct impact on the financial soundness of the insurance company's performance. Therefore, the study's outcome is relevant to risk management practices and resilience. Further, the data has been gathered by using secondary data for a seven-year period of industry information (Muthusamy, et al., 2023).

In the empirical paper *Enterprise Risk Management Practises and Its Impact on Firm Performance: Evidence from the Sri Lankan Insurance Industry* by **K. K. Alwattegama (2019)**, the ERM practises attract more attention from the corporate world to strategic management of their potential emerging risks. He conducted the study using primary and secondary data collected from the insurance companies listed in CSE. This study verifies the impact of ERM adoption on the

performance of an insurance company, using the ROE as a proxy and multivariate regression analysis. According to findings, ROE and the adoption of ERM have a weakly positive relationship. Other than event identification and control activities, all other activities have a negative relationship with ERM adoption and ROE. This finding is contradictory to other empirical findings, and the suggestion also provides negative feedback on implementation and sparing due to the cost of upgrading the ERM systems (Alwattegama, 2019).

3. Methodology

This study focuses on a comparative study about the impact of risk management practises on the resilience of the Sri Lankan GI sector. The study is entirely based on the secondary data available in previous scholarly articles, journals, publications by industry experts and regulators, websites, annual reports, etc. (Johnston, 201 The study will compare the discrepancies between the current risk management practises and the extended version of the same practises that influence the management decisions for resilience building. Some scholars emphasise that secondary data analysis is appropriate for comparative studies, as it will research existing evidence, patterns and knowledge across various contexts and develop insights (Arbale & Mutisya, 2024). This comparative study will compare and explain the conventional risk management practises, such as ERM practises in the traditional framework and the extended version of the ERM with integrated risk dashboard and resilience-orientated risk management in scenario planning. Additionally, this study will examine the differences in the implementation processes. To conduct an in-depth analysis, the secondary data has been gathered from multiple credible sources, such as empirical studies focusing on risk management and resilience building, industry reports published by various regulatory and professional bodies such as IRCSL, UoC and KPMG, published financial reports and other articles on industry performance and resilience.

3.1 Data Collection

The data collection is done by using credible academic literature by using Google Scholar and other credible websites using the keywords such as 'risk management practises', 'general insurance practises', 'emerging markets like Sri Lanka' and 'resilience management insurance'. The sources referred to have been mostly published within the latest five-year period of time, which is to be believed as updated and credible information about the risk management practises and frameworks.

3.2 Data Analysis

The secondary data gathered from various literature sources will be analysed according to the thematic synthesis approach. According to (Thomas & Harden, 2008), thematic synthesis analysis is defined as a systematic coding system that organizes qualitative data from multiple sources into descriptive and analytical themes. Key themes will be classified according to risk identification, assessments, mechanisms, and organizational outcomes. Then these themes will be compared to analyse the similarities and differences between conventional and contemporary ERM processes and resilience levels in uncertain situations.

3.3 Ethical Consideration

Since the study relies solely on existing secondary data, no approval for ethical considerations is required. Nevertheless, any data collected from sources will be used responsibly in reports by giving credit to the original authors and following the rules of in-text citations when writing a scholarly article.

4. Findings & Discussion

4.1 Key Findings

4.1.1 Acquisition and Implementation of Risk Management Practises in Sri Lankan GI Industry

According to the literature, empirical papers from the Sri Lankan GI industry have broadly developed risk management practices across multiple operational disciplines and various levels and capacities. Furthermore, the processes of risk management differ among companies. Sooriyaarachchi & Buddhika (2024) contend that the primary focus of risk management is on underwriting standards, reinsurance arrangements, liquidity management, and governance protocols. (Muthusamy et al., 2023) highlight that according to the CARMELS approach, the variables of risk management are in different capacities, and these capacities vary according to the strength of the insurance company. In relation to the ERM theory, a wide range of ERM practises identifies, assesses, controls and mitigates the risk exposure adopted by the company. According to (Otley, 2016), the adoption of risk management practices varies based on exposure to natural disasters and both micro and macro environmental impacts. In practical terms, a standardised and upgraded ERM framework, along with formalised policies, will continuously control risk assessments and mitigations across all departments to enhance the organisation's resilience capacity.

4.1.2 Impact of Risk Management Practises on Organisational Resilience

Risk management practises are always the foundation of the resilience of the insurers supporting the absorption, adaptation and resilience over external uncertain shocks such as natural disasters, economic volatility and regulation reforms. According to Lengnick-Hall et al. (2011), organizational resilience depends on systems and the capacity of adoption. The empirical study of Silva & Kawasaki (2022) highlights that firms with a strong foundation of reinsurance, adequate buffers in liquidity and a feasible scenario planning mechanism have better capacity for resilience. From a theoretical perspective, resilience theory is the key contributor, and it further explains the ability to respond and recover from a disruption. Accordingly, insurers need to strengthen the adaptive mechanisms such as supportive reinsurers, catastrophic modelling and proactive liquidity

planning. An improvement of the integrated resilience system for the current ERM framework will maintain the prolonged operational risk from any crisis.

4.1.3 Bottlenecks in Implementation of Risk Management Practises

Despite how effective the technical framework of risk management practices is, implementation is crucial in practice. There is always a significant gap between the theoretical model and the actual process flow due to various disparities in challenging work environments, and continuous external pressures always impact organizational resilience. According to Sooriyaarachchi & Buddhika (2024), some insurers do not practice ERM activities but only in selected departments, which finally affects the outcome of the resilience capacity at the organisational level. (Doss & Tiwari, 2025) highlights that deficiencies in scenario-based planning and limited use of behavioural risk insights will affect the capacity to identify emerging risks. Inadequate risk monitoring systems practised by small-scale insurers do have a risk of hitting their resilience capacity, which also affects the industry's bottom line as well. Aligned with the agency theory, the deviation between management incentives and stakeholder benefits will inhibit the comprehensiveness of risk absorption. The stakeholder theory emphasizes that discrepancies and insufficient coordination between customers, organizations, and regulators may lead to inappropriate risk implementation strategies. Therefore, organizations should consider advancing the ERM practice to a full-scale upgrade framework supported by relevant technical training, responsibilities, behavioral risk insights, and scenario-based planning strategies. Meanwhile, the regulator is responsible for implementing more practical regulatory protocols to help organisations address their gaps and challenges in organisational resilience mechanisms.

4.1.4 Impact of External Shocks Effect on Risk Management and Resilience

Natural disasters, macroenvironmental volatility, and continuous regulatory changes primarily influence the risk management frameworks in Sri Lanka. Sri Lanka is being exposed to monsoon weather, where usually the country is affected by floods and landslides (Sooriyaarachchi & Buddhika, 2024); hence, there is an impact on the liquidity margin of insurance companies due to excessive claim settlements. The continuous fluctuations in exchange rates directly impact risk

management decisions regarding reinvestment strategies and underwriting risk evaluations, which ultimately affect both the performance bottom line and the capacity for resilience (Weerasinghe, 2022). As a member of the IAIS, the IRCSL is revisiting the current risk assessment guidelines in par with the international instructions received by the IAIS (Oxford Business Group, 2025). From a theoretical perspective, contingency theory highlights that organizational risk practices should be adjusted according to external pressures (Akin-Smith, 2025). The institutional theory says how regulatory changes affect the organisational risk management practises.

4.1.5 Advancing and Upgrading Conventional Risk Management Practises

The review found that ERM practices should be updated to a more proactive and reliable version. Since the outcome of the risk management framework significantly influences management decision-making, the ERM system should proactively and accurately anticipate future risks to drive necessary risk mitigation actions and remain resilient against any upcoming uncertainties from external shocks. The importance of advancing the current ERM system and integrating the traditional system with the contemporary system will be further discussed in Section 4.2.

4.2 Discussion

In this section, the author will extensively compare the differences, as well as the pros and cons, between conventional ERM practices and more advanced integrated models of ERM that are better at anticipating, assessing, controlling, and mitigating external risk pressures, and will also evaluate how these models can support management in making appropriate decisions for building resilience: In Sri Lanka, the majority of GI companies are practicing the ERM framework at different scales based on their company capacities and the degree of their risk expectations. In this section the author is expected to discuss two extended models of the ERM practises; ERM Practises with an integrated risk dashboard and resilient oriented risk management with scenario planning.

4.2.1 ERM Practises with Integrated Risk Dashboard

According to the literature review, it highlights the nature of the risk impact for the Sri Lankan GI industry; the majority of the GI companies manage their risk exposure in a similar manner. In this context, the responsibility for risk management practices lies solely with the ERM department, resulting in fragmentation and disintegration of operations across various departments, primarily in underwriting, reinsurance, financing, investment, and claims services. Since they have no interconnection for a common goal of risk mitigation objectives, departments are rather running for their own performance goals, finally this disintegration would lead the company to a severe unexpected disaster. Perhaps, even though the organisation has achieved their operational goals at the department level, the resilience capacity would have failed saliently.

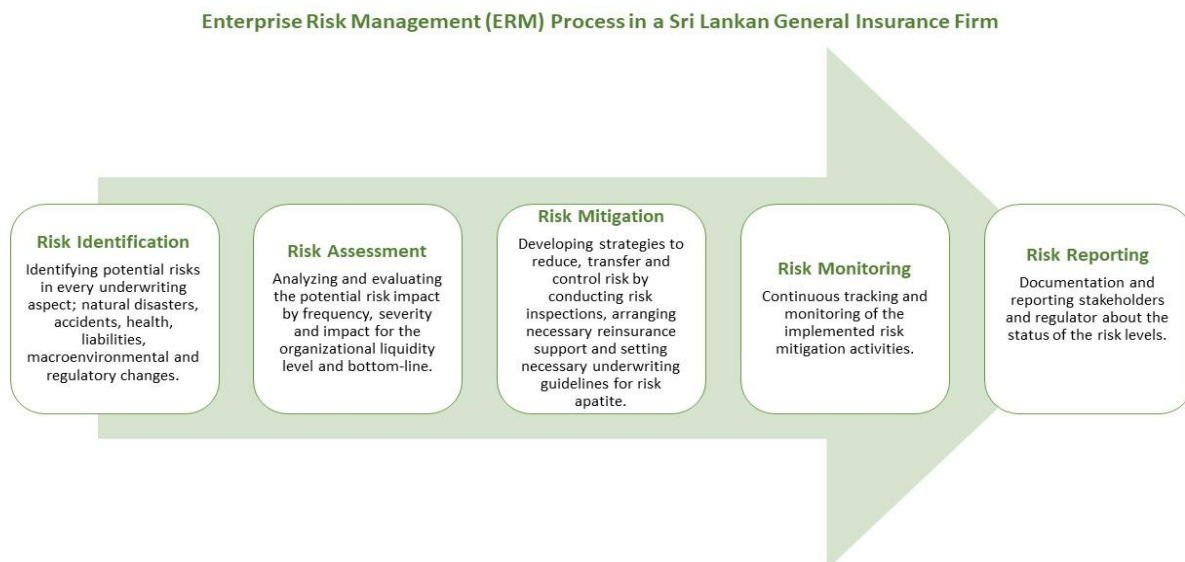


Figure 3. Common ERM process in the Sri Lankan GI context

Source: Developed by the author

As illustrated in figure 3, generally the ERM process starts with **the risk identification** step, which identifies potential risks in every technical aspect and external environment. Technical risks will be classified as natural disasters, accidents, liabilities, and health-related. Natural disasters and accidents will potentially hit motor, fire, personal, and general accident business classes, whereas losses and damages caused by external factors will affect general liability, marine insurance, and health-related surgical and travel insurance. Meanwhile, the legal compliance and

ERM departments each address regulatory changes and macroenvironmental issues independently. The next step involves conducting the identified **risk assessment**, which evaluates and analyses the frequency, severity, and impact on the organisation's bottom-line ratios. The underwriting departments gather necessary information before accepting any risk by obtaining the proposal form from the customer and conducting a risk evaluation questionnaire. In the **risk mitigation** step, the ERM department will come up with necessary guidelines that comply with the regulatory protocols are competitive with other players in the market. Thereby, based on the severity and the hazardous level of the risk, an inspection process is conducted. If the risk is within the risk appetite and the underwriting preferences according to the organisational strategic plan, necessary risk calculations will be processed. In this step, the actuaries play a pivotal role in providing the necessary technical guidelines to the respective underwriting departments in terms of setting risk rates, policy terms, conditions, and excess support for the required reinsurance arrangements. **Risk monitoring** is preliminarily supervised by the ERM and audit departments by coordinating together to ensure that the relevant departments are continuously adhering to the guidelines and risk-mitigating measures. Meanwhile, external control bodies and auditors continuously assess whether the organisation is maintaining healthy risk exposure and quality assurance in accordance with required standards (such as Fitch Rating, SLS ISO 9001 for quality management, and ISO 27001 for information security) to remain competitive in the market. Finally, the organisation is responsible for **documenting and reporting** to stakeholders and regulators in a timely manner about the company's risk adoption status. The insurance company is required by law to submit RBC reports, periodic regulatory returns, qualitative risk assessment reports that include contingency planning, and specified risk reports for AML/CFT compliance to the FIU. In a comprehensive analysis of the above process, it has been noticed that the process is one-directional and the responsibilities of the risk management practises are disintegrated among departments, and it will take a considerable time for decision-making by the management by gathering all the risk-related information from respective departments.

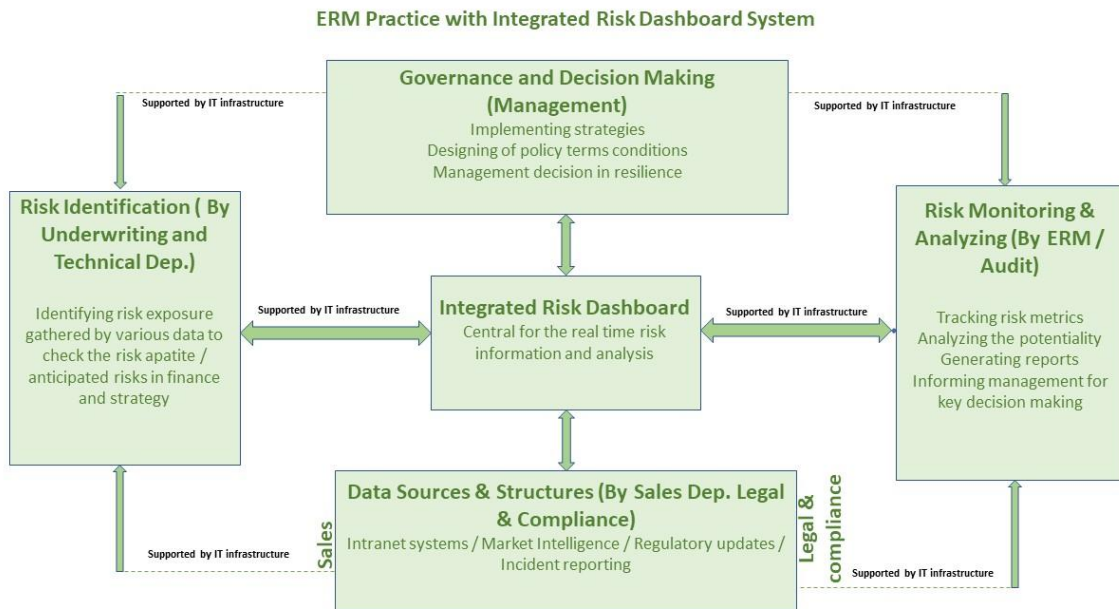


Figure 4. Contemporary ERM Practice with Integrated Risk Dashboard system

Source: Developed by the author

The Integrated Risk Dashboard (IRD) system will enable management in the Sri Lankan GI market to make prompt and reliable decisions by providing accurate information about the situation and potential risks. The IRD system will provide real-time accurate information in every risk-pertaining aspect, such as underwriting, claims, liquidity and investment, on the same screen. The early warning of predicted risk impacts will be advantageous for improving the resilience capacity of the organisation and improving the necessary operational areas before the external pressure hits the system. The IRD system can add several benefits to current practices, like ensuring consistency and transparency, helping to prevent risks before they happen, making it easier to follow regulations, and guiding the next steps in operations. Above displays the illustrated framework of the IRD system.

4.2.2 Resilience -orientated Risk Management with Scenario Planning

The literature review has emphasised that Sri Lanka is vulnerable to natural disasters (floods, landslides) and continuous economic fluctuations (Sooriyaarachchi & Buddhika, 2024), (Weerasinghe, 2022). The current ERM practice lacks adequate support to accurately

capture and assess the severity of each individual risk impact. Resilience-oriented risk management with scenario planning will provide strategic resilience-building capacity by absorbing shocks, adapting to change, and recovering faster (Lengnick-Hall et al., 2011). Scenario planning guides insurers to be prepared for any extreme catastrophic event or external shock by stress testing and improving the capacity of resilience building in every operational aspect.

In the process of resilience-oriented risk management and scenario planning, the first step is to **categorize the external risk factors** that the organization could potentially anticipate. In the context of GI in Sri Lanka, the potential risk categories could be classified as: natural disasters, macroenvironmental impacts, regulatory reforms, and market and claim volatility. The second step is the **mapping of risk exposure** in accordance with practical operational constraints. Risk mapping will be mainly conducted on the retention of underwriting risk exposure, where the management decides what is the maximum risk capacity kept under the company limit (net retention capacity) and beyond what capacity the risk would be transferred to the co-insurer or the re-insurer (treaty and facultative). Depending on the cash outflow, the insurer is budgeting the monthly claim limit class-wise, such as for motor claims, hospitalization claims, property claims, liability, etc. Agreement on treaties with the reinsurers is crucial, as that is the backbone of the contingency plan. Furthermore, in a real-world scenario, an insurer faces a variety of operational challenges within inactive departments, all of which require prompt resolution.



Figure 5. Contemporary ERM Practice with Resilience-orientated scenario planning model

Source: Illustration is developed by the author

The third step is the most crucial in the process: **scenario planning and stress testing**. In this step, the ERM experts will test potential risk assessment scenarios that could result in significant losses for the organisation. Scenarios may mainly focus on catastrophic impacts rising due to natural disaster, macroenvironmental shock, failure of reinsurance agreements, operational issues and, most critically, compound catastrophic scenarios.

Table 1. Example of mechanism of scenario planning process

Scenario 1	Scenario 2
<u>Description</u> Assume that storm <i>Ditwha</i> the catastrophic natural disaster hit Sri Lanka in November 2025. Majority of the GI companies confronted a major scale of financial hit as one event hit by a high severity.	<u>Description</u> Sudden drop of exchange rate and FDI due to the high inflation and the interest rate volatility happened due to recent government change in Sri Lanka.
<u>Stress Variable</u> Claim outflow increased by 50-70% Claim severity increased by 25-35% Recovery of reinsurance settlements delayed by 3-6 months Exceeding planned reservations of technical provisions other settlements (e.g.; - payments for loss adjusters and government analyst)	<u>Stress Variable</u> Inflation pressure on claim cost by 20 – 30% Effect on reinsurance cost by the depreciation of exchange rate Drop if investment asset values Drop of net premium income
<u>Stress Testing Indicators</u> Pressure on maintaining liquidity buffer Extended period of claim settlement Dependency of capital and reinsurance buffers	<u>Stress Testing Indicators</u> Deviation of asset-liability mismatch Thin underwriting profit margins Increased capital volatility
<u>Resilient Test</u> Measuring the organization's capacity of resilience building in claims settlement capacity at a catastrophic loss.	<u>Resilient Test</u> Evaluating risk adoption capacity on pricing, investment under economic tension.

Note: The above-mentioned numerical projections are hypothetical and, used only for the scenario explanation.

The findings at the resilience test will progress to the next two levels of risk management: **assessing impacts and building resilience strategies** accordingly. In summary, implementing resilience-oriented risk management in conjunction with scenario planning can improve the organization's ability to absorb shocks, extend its capacity for adaptation, boost stakeholder confidence, and sustain competitive advantage.

4.2.3 Comparative Analysis of Conventional Risk Management Practises and Proposed Models

In this section the author will compare the operational framework, challengers, limitations and the impact on the organisation's resilience between the conventional and upgraded risk management models. Additionally, the discussion will cover various aspects, including the framework, underwriting and reinsurance, monitoring and reporting, scenario analysis, stakeholder alignment, corporate good governance, and organisational learnings and adoptions.

The conventional ERM framework segregates risk management responsibilities among departments (underwriting, investments, claims, and governance). Moreover, the absence of enterprise-wide, fragmented risk oversights limits its effectiveness. The proposed integrated dashboard provides real-time risk status in all aspects in one single dashboard, which enables holistic risk management across all the functions, reducing the blind spots. In the conventional ERM system the **underwriting and reinsurance** are based on standard underwriting guidelines, and the reinsurance arrangement is based on the claim history. It is a reactive approach to a transpired action (risk impact). The proposed scenario planning risk management improves the shock absorption level of the organisation and establishes the pre-preparedness for any catastrophic risk with an extended resilience capacity. The **monitoring and reporting** of the conventional ERM practice are conducted manually, which also takes considerable time to generate reports due to the limited cross-functional visibility. The disintegrated nature of the framework limits accountability for achieving common organisational goals related to risk mitigation actions. The real-time automated reporting across all the functions in a single integrated dashboard facilitates the prompt decision-making and early warning of anticipated risks and prepares for resilience. In the conventional ERM practice, the **scenario planning** is rarely applied, and the stress-testing concept is hidden. It also limits the risk of foresight, and the action is reactive. Additionally, there is no suitable indicator to measure the capacity for systematic resilience. The

specialised stress testing and scenario planning improve the adoptability capacity in resilience, which will be ready for any catastrophic shock. In the conventional ERM system, communication between stakeholders and investors is ad hoc, and it limits alignment with organizational stakeholder expectations and transparency and creates a conflict of interest. The transparent nature of the integrated dashboard ERM practice establishes trust and confidence among stakeholders, which also supports management decisions. The claim history and the knowledge gap between departments limit the organization's learning outcomes in conventional risk management practices. The upgraded versions of integrated dashboard and scenario planning establish continuous learning across all departments and proactive resilience mechanisms for emerging markets as well.

In addition to the identified disparities between conventional risk management and upgraded integrated dashboard and scenario planning, several challenges have been identified in implementing the upgraded versions that an organisation would practically confront. The integrated dashboard system may require a high demand for skilled workers, robust data infrastructure, and significant investments in technological changes, which could lead to high implementation and maintenance costs that negatively affect small players in the industry. In the upgraded versions, the quality and accuracy of the dashboard allow management to undertake meticulous decision-making on resilience management. At the same time, if the dashboard malfunctions and provides untimely or inaccurate data, it will undermine management decisions. Non-technical stakeholders may find the advanced and complex analytics in scenario planning unfamiliar without proper training or interpretation. The scenario planning model is based on assumptions, and they might not be compatible with the real-world scenario, where organizations might incur additional expenses over resilience-building strategies.

5. Conclusion

5.1 Research Contribution

This research provides insightful contributions with a thorough understanding for both academia and the Sri Lankan GI industry about the impact of risk management practises on the organisational resilience of Sri Lankan GI firms. The literature review emphasizes the status and scale of conventional risk management mechanisms and outcomes. This research also highlights the underexplored areas in the subject matter by identifying the gaps in previous empirical studies. While other studies are more focused on different geographical contexts and organizational performance in numerical evaluations, this one focuses on resilience capacity at the organizational level, specifically in the Sri Lankan GI sector. The research findings extensively discuss the disparities between the conventional and upgraded versions of ERM practises which also contribute substantially to identify potential emerging markets. The theoretical background of the study may lead the conventional ERM practises to a novel dimension, which also will consider a resilience-orientated approach rather than a traditional control-based approach. The analysis of secondary data using the thematic synthesis approach has resulted in a coherent analytical review that reveals extensive knowledge about risk management practices and their relationship to resilience strategies. From a practical point of view, the study provides certain actionable contributions for the industry and stakeholders as well. The study provides a practical guideline to insurers to revisit current ERM practises with upgraded versions such as integrated dashboards and scenario planning for more prompt and accurate management decisions in a catastrophic situation and build resilience. The study outlines a roadmap for future empirical research in risk management and the GI sector within the Sri Lankan context, as well as strategic solutions to enhance the resilience capacity of organisations against the emerging risk impacts of future volatility in the GI industry.

5.2 Research Limitations

The purpose of this research is to compare the contemporary risk management practises against upgraded risk management practises and their impact on the resilience of the Sri Lankan GI industry. The research scope has been limited to a comparative study using secondary data from the Sri Lankan GI sector. Therefore, the author has identified several limitations of the research, which merit constructive criticism. Furthermore, this research was required to rely on secondary

data, making the findings primarily dependent on the academic literature cited by the author. These findings might not accurately reflect the practical reality of organizational practices or capture the most critical challenges in subjective management change. Since the study does not include a primary data approach, it lacks an understanding of the true meaning of risk management and resilience. The comparative study on literature review exposes the theoretical background and the conceptualisation of risk management and resilience, but it is unable to judge the most appropriate option as conventional or contemporary risk management, as the applicability of the mechanisms may vary at the organisational level, and both versions have their differences, similarities, pros and cons. The final view of the research may purely depend on the reader's perspective and knowledge of interpreting the idea. The qualitative approach to the research has resulted in the absence of a quantified statistical review.

5.3 Future Recommendations

Based on the findings, the author is expecting to share future recommendations in three relevant areas to support academia, industry, and regulators. The future research in a similar scope focuses on the Sri Lankan GI companies; it is recommended to carry out primary data collection through in-depth interviews with industry pillars and members in different departments, which may reveal the deeper meaning of resilience and its adoptability, as well as the real status of risk management mechanisms and their interpretation. Similar comparative studies in the South Asian region will provide a contextualised understanding of emerging risk factors. Similar comparative studies in the South Asian region will contribute contextualised understanding of the emerging risk factors. If the insurers would consider the benefit of implementing resilience-orientated ERM practises coupled with integrated dashboard and scenario planning, despite the high cost of infrastructure, the benefits would lead the organisation to a less constrained, sustainable establishment. Suggest that regulators and policymakers consider more climate- and disaster-prone resilience guidelines in making industry protocols. Overall, future efforts should focus on establishing proper coordination between risk management, organizational strategies, and resilience outcomes. By embracing adaptive, progressive frameworks, Sri Lankan GI firms may enhance their ability to endure uncertainty while contributing to the stability and sustainability of the broader financial system.

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