

**RISK MANAGEMENT MATRIX TO BRIDGE THE GAP
IN INSURANCE PARTIES' EXPECTATIONS IN
BUILDING CONSTRUCTIONS IN SRI LANKA**

Nirosha Nilantha Wijesinghe

(209214J)

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DECLARATION

I hereby declare that this dissertation represents my own original work. It does not include, without proper acknowledgment, any material previously submitted for a degree, diploma, or any other qualification at any university or institution. To the best of my knowledge, it contains no content authored or published by others, except where due reference is provided.

I sincerely acknowledge the guidance and support of my research supervisor, Ch. QS Prof. (Mrs.) B.A.K.S. Perera, whose intellectual contribution was essential for the successful completion of this research. I confirm that no part of this work will be published without including my supervisor as a contributing author unless I have obtained explicit written permission.

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	Date

The above candidate has carried out research for the Dissertation under my supervision.

.....	/ / 2025
Ch. QS Prof. (Mrs.) B.A.K.S. Perera	
Dissertation Supervisor	Date

ABSTRACT

RISK MANAGEMENT MATRIX TO BRIDGE THE GAP IN INSURANCE PARTIES' EXPECTATION IN BUILDING CONSTRUCTIONS IN SRI LANKA

The construction industry inherently faces substantial financial, socio-political, and technical risks, making it one of the most hazardous sectors worldwide. Effective risk management strategies are crucial to mitigating the potential negative impacts of these risks. Developing countries, such as Sri Lanka, are particularly vulnerable due to existing shortcomings in established risk management practices. Insurance serves as a key financial mechanism for absorbing the economic consequences of unforeseen events, thereby enhancing the resilience of construction projects. Crucially, a contractor's awareness and understanding of insurance policies are also vital components of effective risk management. This study, therefore, investigates the misalignment between contractors' expectations and the actual insurance coverage provided within Sri Lanka's building construction projects. Using a qualitative methodology encompassing three rounds of semi-structured interviews with 14 industry experts from both the construction and insurance sectors, empirical data was analysed using manual content analysis.

The research findings reveal 47 critical risk factors across ten domains. The core contribution of the study is the development of a comprehensive Risk Management Matrix that classifies risks into four quadrants—Ideal, Overlooked, Reasonable, and Critical—based on their insurability and perceived coverage. Findings reveal significant discrepancies between contractors' perceptions and actual insurance coverage, particularly for critical risk factors, exposing contractors to unexpected financial risks or inefficient resource use. By examining 47 risk factors across 10 categories, the study identifies key areas where contractors frequently misunderstood insurance coverage. Finally, a risk management matrix created offers a valuable tool for local contractors, guiding them in optimizing insurance policies for effective risk management. The research contributes to both academic literature and industry practice and offers a replicable model for other developing countries facing similar challenges in construction risk governance. These findings are also relevant for other developing countries with similar construction industry conditions, providing insights to enhance risk management practices in these settings.

Keywords: *Construction Industry, Insurance Coverage, Matrix, Risk Management, Risk Perception, Sri Lanka,*

DEDICATION

I dedicate this dissertation to my beloved wife and children, whose unwavering love, patience, and support have been my greatest source of strength. Your presence made this journey possible, and this achievement is as much yours as it is mine.

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LIST OF ABBREVIATIONS

Abbreviation	Description
CAR	Contractor's All Risk (Insurance)
CBE	Cost-Benefit Efficiency
CIDA	Construction Industry Development Authority (Sri Lanka)
CGL	Commercial General Liability (Insurance)
CPL	Contractors Pollution Liability (Insurance)
CPM	Contractors Plant and Machinery (Insurance)
EAR	Erection All Risks (Insurance)
FIDIC	Fédération Internationale Des Ingénieurs-Conseils (International Federation of Consulting Engineers)
ICTAD	Institute for Construction Training and Development (Sri Lanka)
IPI	Integrated Project Insurance (Model)
IRIAF	Insurance Risk Identification and Assessment Framework
IRMI	International Risk Management Institute
ISR	Industrial Special Risk (Insurance)
LAM 5393	Insurance Endorsement Code for Communicable Disease
MER 108	Insurance Endorsement Code for Construction Plant, Equipment and Machinery
MIDI	Machinery Inherent Defects Insurance
MRE010	Insurance Endorsement Code for Flood/Inundation
MRE103	Insurance Endorsement Code Excluding Damage to Crops/Forests
WCI	Workmen's Compensation Insurance
SERVQUAL	Service Quality (Model)
SBD	Standard Bidding Document
QS	Quantity Surveyor
PI / PII	Professional Indemnity (Insurance)
PAC	Personal Accident Cover (Insurance)