19. Strategic Risk Management and Insurance: Building Organizational Resilience Against Emerging Risks

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Abstract

The increasing complexity of global business environments has exposed organizations to a wide range of emerging risks, including cyber threats, climate change, pandemics, geopolitical instability, technological disruption, and supply chain vulnerabilities. Traditional risk management approaches are insufficient to address these interconnected risks, necessitating a strategic and integrated approach. This paper examines strategic risk management practices for insuring emerging risks from a management perspective through an extensive review of secondary literature. It explores the role of Enterprise Risk Management (ERM), Business Continuity Management (BCM), insurance innovation, and organizational resilience in enhancing organizational preparedness and sustainable recovery. The paper discusses the evolution of insurance from a financial risk transfer mechanism to a strategic business partner supporting organizational resilience through products such as cyber insurance, climate risk insurance, business interruption insurance, and parametric insurance. It also highlights best practices adopted across industries and identifies major implementation challenges, including regulatory uncertainty, technological complexity, and evolving risk landscapes. Finally, the study proposes managerial implications for integrating strategic planning, insurance, and enterprise risk management to strengthen long-term organizational resilience. The findings emphasize that organizations adopting comprehensive risk governance and innovative insurance strategies are better positioned to respond effectively to emerging risks and sustain competitive advantage.

Keywords: *Emerging Risks, Strategic Risk Management, Enterprise Risk Management, Organizational Resilience, Insurance Innovation, Business Continuity Management, Corporate Governance*

Introduction

The contemporary business environment is increasingly characterized by uncertainty arising from rapid technological advancements, globalization, climate change, cyber threats, geopolitical conflicts, and evolving regulatory requirements. These emerging risks are highly interconnected, dynamic, and capable of significantly affecting organizational performance, financial stability, and long-term sustainability (World Economic Forum [WEF], 2025). Unlike traditional risks, emerging risks are often difficult to predict due to their complexity and evolving nature, requiring organizations to adopt proactive and integrated risk management approaches rather than reactive responses (Kaplan & Mikes, 2012).

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Strategic Risk Management (SRM) has emerged as a critical management practice that integrates risk identification, assessment, and mitigation into organizational strategy and decision-making. Enterprise Risk Management (ERM) enables organizations to manage risks holistically across all business functions while aligning risk management with strategic objectives (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2017). Furthermore, Business Continuity Management (BCM) complements ERM by ensuring operational continuity and organizational preparedness during disruptions (ISO, 2018). In this evolving landscape, insurance has transformed from a traditional risk transfer mechanism into a strategic instrument that supports organizational resilience. Innovative insurance solutions, including cyber insurance, climate risk insurance, business interruption insurance, and parametric insurance, enable organizations to mitigate financial losses and recover more effectively from crises (Swiss Re Institute, 2024). Therefore, integrating strategic risk management with insurance planning enhances organizational resilience, supports sustainable business performance, and strengthens competitive advantage in an increasingly uncertain global environment.

Review of Literature

Dahmen (2023) examined the role of organizational resilience within Enterprise Risk Management (ERM) and concluded that resilient organizations develop adaptive capabilities through strong leadership, organizational learning, trust, and effective crisis preparedness, thereby improving their ability to respond to unprecedented disruptions.

Morabito and Robert (2023) highlighted that traditional risk management approaches are inadequate for addressing emerging risks due to their complexity and interconnected nature. The authors recommended adopting Integrated Risk Management (IRM) supported by strategic governance frameworks.

Kumar, Rao, and Barai (2024) conducted a systematic literature review on ERM in the insurance industry and found that corporate governance, board oversight, and risk culture significantly influence the successful implementation of ERM practices.

Cernit, Moroi, and Mărgineanu (2024) observed that digital transformation, climate change, and economic uncertainty have reshaped the insurance sector, requiring insurers to diversify products and strengthen strategic risk management capabilities.

McKinsey & Company (2024) reported that insurers are increasingly integrating artificial intelligence, climate risk assessment, and resilience planning into enterprise-wide risk management to achieve sustainable growth amid evolving financial and non-financial risks.

Louisot and Grima (2024) emphasized that modern ERM should integrate resilience, sustainability, strategic planning, and social responsibility to effectively manage today's complex and interconnected business risks.

The Society of Actuaries (2023) found that strategic alignment between organizational objectives and risk management remains limited in many insurance companies, highlighting the need to strengthen strategic risk management practices.

The World Economic Forum (2025) identified cyber insecurity, climate change, misinformation, and geopolitical conflicts as the most critical global risks, emphasizing that organizations must enhance resilience through integrated risk governance and long-term strategic planning.

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A recent study published in *Risks* (2024) proposed a decision-oriented ERM framework that integrates quantitative risk aggregation, organizational culture, and governance to improve strategic decision-making and enterprise resilience.

Overall, the reviewed literature consistently indicates that organizations can effectively manage emerging risks by integrating Enterprise Risk Management, innovative insurance solutions, strategic governance, and resilience-oriented management practices. These studies collectively provide a strong theoretical foundation for examining strategic risk management practices for insuring emerging risks from a management perspective.

Problem Statement

Organizations face increasingly complex emerging risks, including cyber threats, climate change, pandemics, and technological disruptions, which challenge traditional risk management approaches. Limited integration of strategic risk management with insurance planning restricts organizational resilience. Therefore, a comprehensive management perspective is needed to strengthen resilience, ensure business continuity, and support sustainable organizational performance.

Research Questions

1. What are the major emerging risks affecting organizations in the contemporary business environment?
2. How do strategic risk management practices help organizations manage emerging risks effectively?
3. What role do insurance strategies play in enhancing organizational resilience and business continuity?
4. How can the integration of strategic risk management and insurance contribute to sustainable organizational performance?

Conceptual Framework

The conceptual framework of this study explains how organizations can enhance resilience by integrating strategic risk management practices with insurance solutions to address emerging risks. Emerging risks such as cyber threats, climate change, pandemics, technological disruption, geopolitical instability, and supply chain vulnerabilities are considered the primary external risk factors. These risks are managed through Strategic Risk Management practices, including Enterprise Risk Management (ERM), risk assessment, governance, and strategic planning. Insurance strategies such as cyber, climate, business interruption, and parametric insurance act as risk transfer mechanisms that support Business Continuity Management (BCM). The effective integration of these management practices strengthens organizational resilience by improving preparedness, adaptability, crisis response, and recovery capabilities, ultimately contributing to sustainable organizational performance, long-term competitiveness, and business continuity in an increasingly uncertain environment.

Emerging Risks in the Modern Business Environment

Emerging risks are new or evolving threats that arise from rapid technological, environmental, economic, political, and social changes, posing significant challenges to organizational sustainability. Unlike traditional risks, they are highly uncertain, interconnected, and difficult to predict, making their impact more severe and widespread (World Economic Forum [WEF], 2025). Key emerging risks include cyberattacks, climate change, pandemics, artificial intelligence-related

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issues, geopolitical conflicts, supply chain disruptions, and regulatory changes. These risks can affect business continuity, financial performance, organizational reputation, and stakeholder confidence. Consequently, organizations must adopt proactive strategic risk management practices and integrate innovative insurance solutions to effectively identify, assess, mitigate, and respond to these evolving risks while ensuring long-term resilience and sustainable business performance (Kaplan & Mikes, 2012; COSO, 2017).

Table 1. Major Emerging Risks and Their Organizational Impact

Emerging Risk	Business Impact	Risk Level
Cybersecurity Threats	Data breaches, financial losses, reputational damage	Very High
Climate Change	Operational disruptions, asset damage	Very High
Supply Chain Disruptions	Production delays, increased costs	High
Geopolitical Conflicts	Trade restrictions, market uncertainty	High
Artificial Intelligence Risks	Ethical issues, regulatory concerns	Medium
Pandemics & Health Crises	Business interruption, workforce shortages	High

Source: Compiled from World Economic Forum (2025), Swiss Re Institute (2024), and IRDAI (2024).

Relative Severity of Emerging Business Risks

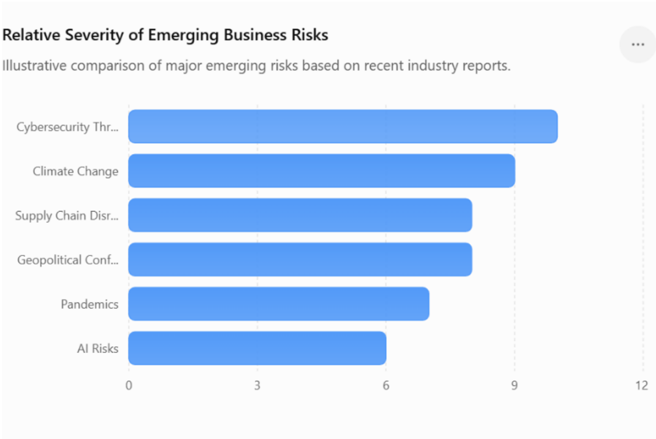

Figure 1 - Comparison of major emerging risks based on recent industry reports.

Strategic Risk Management Practices

Strategic Risk Management (SRM) is a proactive approach that integrates risk management into an organization's strategic planning and decision-making processes to achieve long-term objectives. Unlike traditional risk management, SRM focuses on identifying, assessing, monitoring, and mitigating risks that may affect organizational performance and sustainability (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2017). Enterprise Risk Management (ERM), risk governance, scenario planning, risk assessment, and continuous monitoring are key components of SRM. Organizations also leverage advanced technologies such as artificial intelligence, predictive analytics, and business intelligence to anticipate potential threats and support informed decision-making. By embedding risk management into organizational strategy, SRM enhances resilience, improves business continuity, strengthens competitive

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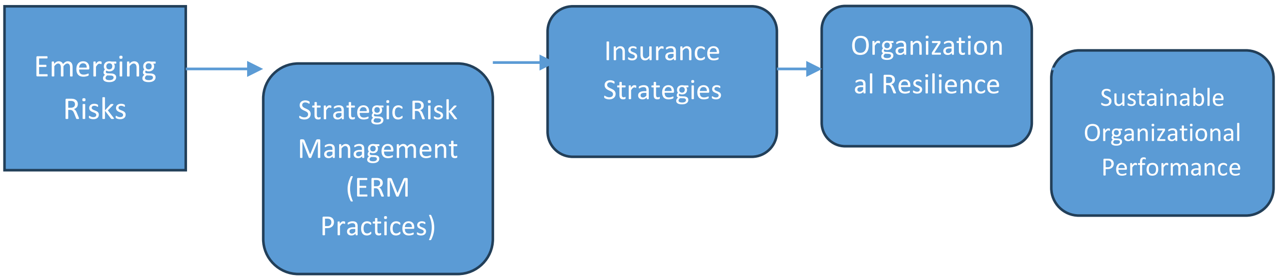
advantage, and enables organizations to respond effectively to emerging risks (Kaplan & Mikes, 2012; Hopkin, 2023).

Role of Insurance in Managing Emerging Risks

Insurance plays a strategic role in managing emerging risks by transferring financial losses and supporting organizational continuity. Innovative solutions such as cyber insurance, climate risk insurance, business interruption insurance, and parametric insurance help organizations recover from unexpected events, reduce financial uncertainty, and strengthen resilience against increasingly complex and evolving business risks.

Organizational Resilience through ERM and Insurance

Enterprise Risk Management (ERM) combined with insurance enhances organizational resilience by improving preparedness, response, and recovery during crises. While ERM identifies and mitigates potential risks, insurance provides financial protection against losses. Together, they enable organizations to maintain business continuity, adapt to disruptions, and achieve sustainable long-term performance.



Source: Developed by COSO (2017), Kaplan and Mikes (2012), and ISO 31000 (2018).

Best Practices and Industry Examples

Leading organizations integrate Enterprise Risk Management, Business Continuity Management, and innovative insurance solutions into their strategic planning. Financial institutions invest in cyber insurance, manufacturers diversify supply chains, and insurers develop parametric insurance products. These practices improve operational resilience, minimize disruptions, and strengthen stakeholder confidence during uncertain business conditions.

Challenges and Future Directions

Organizations face challenges such as evolving cyber threats, climate uncertainty, regulatory changes, limited historical data, and increasing technological complexity. Future risk management will rely on artificial intelligence, predictive analytics, real-time monitoring, sustainable insurance practices, and stronger collaboration among organizations, insurers, regulators, and policymakers to address emerging global risks effectively.

Managerial Implications

Managers should integrate strategic risk management into organizational planning by strengthening Enterprise Risk Management frameworks, promoting a proactive risk culture, and investing in advanced technologies. Regular assessment of insurance coverage, employee awareness, and crisis preparedness enables organizations to improve resilience, ensure business continuity, and achieve sustainable competitive advantage.

Conclusion

Emerging risks require organizations to adopt integrated strategic risk management and innovative insurance practices to enhance resilience and sustainability. Combining Enterprise Risk

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Management, business continuity planning, and insurance solutions enables organizations to manage uncertainties effectively, recover quickly from disruptions, and achieve long-term organizational success in an increasingly dynamic business environment.

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