

## Exclusion clauses in insurance contracts in Sri Lanka: The need for law reform

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From a legal standpoint, an exclusion clause in an ordinary contract is designed to limit or eliminate liability arising from such a contract. In contrast, an exclusion clause in an insurance contract is not generally designed to exclude, restrict or limit a party's legal liability. They are carefully crafted to demarcate the boundaries of the risk being insured by stipulating what shall 'not' be covered under such a contract of insurance. Therefore, the purpose of this research is to critique the role and impact of exclusion clauses in an insurance contract in Sri Lanka and formulate law reforms to enhance consumer protection and legal certainty. Employing a doctrinal research methodology supplemented by a comparative legal analysis, the research scrutinizes domestic legislation, judicial decisions, and secondary legal sources both in Sri Lanka and other jurisdictions. Findings of this research reveal that the Sri Lankan law permits the use of exclusion clauses and there is a regulatory mechanism in place providing safeguards such as the 'duty of disclosure' and the 'contra proferentem rule.' However, such a mechanism is inconsistently applied leading to unpredictability and imbalance in insurer-policyholder relations. It is evident that exclusions are construed strictly; therefore, it is the duty of the insurers to except their liability in clear and unambiguous terms. Moreover, the 'contra proferentem' rule applies against the drafter of a document which stipulates that any ambiguity in the wording of the document is to be interpreted against the party who drafted it. The study also identifies a critical need for legislative intervention to introduce statutory guidelines for the drafting, interpretation, and enforceability of exclusion clauses, thereby reducing ambiguity and ensuring fairness and researcher aims to concern on current industrial practices of the insurance trade. Limitations of the research include the restricted access to empirical data from the insurance industry and the reliance on case law that may not reflect recent market practices. Nevertheless, the study offers original value by articulating a reform-oriented legal framework that balances contractual freedom with consumer rights. It contributes to the broader discourse on insurance contract law in developing jurisdictions and provides a strategic roadmap for policymakers, legal practitioners, and academics aiming to foster a more equitable insurance regime in Sri Lanka.

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