AiBEC

Association of Insurance Building & Engineering Consultants

AiBEC Standard

CHALLENGES IN PROPERTY REPAIR SCOPE OF WORK

SEPT 2025

AiBEC

Association of Insurance Building & Engineering Consultants

Challenges in Property Repair Scopes of Work

Executive Summary

The intent of this consultation paper is to identify areas for improving the quality of Scopes of Work utilised within the Insurance Industry. It is recommended by *AiBEC* that an Industry Standard for Scope writing is designed by experts and implemented throughout the Insurance Assessment Industry to define best practice and promote continuous improvement.

A Scope of Work (SoW) is widely recognized as the sole document determining the full extent of the work required, however as this paper will highlight, there are limitations of a SoW, often requiring additional documents, reports, designs and approvals to enable more complex and structural projects to be managed transparently and effectively for all parties.

The key recommendations of this consultation paper include:

1. **Instruction to Experts:** Consistency and quality of Instructions to Expert with clear requirements, exclusions to be nominated and refrain from any request for the Expert to consider policy application.
2. **Adoption of practices from the greenfield construction industry for an insurance scenario.** What works well in the construction industry that can be applied to the insurance reinstatement sector to drive improvements for stakeholders.
3. **Tiered level of Scopes of Work to suit the application:** Based on how the Scope is intended to be used, is it for assessment purposes only, is it non-structural work? Or is the Scope for Construction purposes and involving structural components?

4. **Tendering Rules, including the use of a tender schedule by Contractors.** The transparency and accuracy of a SoW should be replicated in the tenders obtained from Contractors. Compliance to a minimum acceptable standard of tendering contributes to competitive cost outcomes and transparency for all stakeholders.

Context

A Scope of Work (SoW) in construction is a document that aims to define the extent of works that will be undertaken on a project. It details the tasks to be completed, the materials to be used, the relevant locations of the works, the quantity of materials and labour required and indicates the standard of quality to which the works are to be completed.

A SoW is usually a written document, but it is sometimes accompanied by drawings to illustrate the extent of works required.

A well-defined SoW serves several critical functions:

- it aids to manage expectations and prevent misunderstandings,
- enables contractors to provide accurate and competitive pricing
- it facilitates comparison of contractor's quotes
- forms the basis for negotiations and agreements
- aids in handling disputes during the assessment and construction process

A. Use of SoW in the Insurance Industry

In the insurance context, a SoW is primarily used to record and define the works required to repair the damage caused by a claimed event, differentiate between resultant and maintenance matters. It may also be used to define the works required to rectify defective construction. Depending on the purpose, a SoW may be:

- uncosted, to be provided to contractor(s) for pricing or,
- uncosted, to be provided to Claimant(s) for validation or consult,
- costed, typically by a Quantity Surveyor, to determine the value of the repairs.

For complex works, the SoW should reference further supporting documents. This information may require further invasive investigation and could be presented in the form of:

- Architectural and Engineering Design Drawings,
- Technical Specifications,
- Material selection and Data Sheets,
- A Project Management Plan (including a sequence of works and timeline),
- etc.

In these cases, the SoW document only provides a high level overview, while the supporting documents deliver the necessary detail for competitive tendering and construction.

B. Challenges in Insurance Claims

Due to the fast-paced nature of insurance workflows, SoWs are often prepared before detailed documentation is available. In these instances, the SoW serves as preliminary information to support early decision-making by asset owners, insurers, loss adjusters, and other stakeholders. These decisions may include:

- Quantifying the loss
- Assessing the adequacy of the sum insured
- Determining next steps, such as engaging experts for further documentation

For simple, low-value claims, the SoW may be sufficient on its own—especially when tradespeople are familiar with the required building practices. However, for complex or high-value claims, relying solely on a SoW without supporting detail is problematic. It can lead to:

- Misunderstandings between stakeholders
- Compliance issues
- Delays in the claims process
- Use of Provisional allowances in lieu of accurate costings
- Variation occurrences
- Escalation of cost and stakeholder frustration

- Risk on the adequacy of the sum insured, becoming apparent once works are progressing

C. Instructions to Experts – Like for like or Rebuild to standard?

Experts are frequently instructed by Insurers or Loss Adjusters to "prepare a scope of works (SoW) for resultant damages." However, these instructions are often vague and lack critical detail—particularly when pre-existing construction methods or defects do not comply with current building codes.

This ambiguity creates a number of challenges for experts, including:

- What should be included in the SoW when the original construction is non-compliant with current codes?
- Should the expert produce multiple, separate SoW documents?
    - If the policy excludes upgrades, is a like-for-like SoW sufficient?
    - Alternatively, are two documents required? A like-for like SoW alongside a SoW with upgrades to enable the client to obtain costings for both?
    - If the policy includes upgrades, should they be integrated into the same SoW or documented separately?
    - A separate SoW for pre existing maintenance items
    - These are policy decisions that are outside the expertise of the building expert and should be specified by the Insurer/Loss Adjuster.
- Will the extra time and cost associated with preparing the multiple documents be questioned by the client or the expert's employer?
- Will delays caused by seeking clarification jeopardize the expert's ability to meet their Service Level Agreement (SLA)?
- Given these pressures, should the expert go ahead and seek clarification or default to the quickest and cheapest option?

To mitigate these issues and to ensure experts can deliver timely and accurate scopes of work, we recommend that Insurers and Loss Adjusters provide clear, structured instructions that address the following:

1. **Guidance on Non-Compliant Pre-Existing Works**
   Instructions should specify how to handle situations where pre-existing construction does not meet current code requirements. Specifically, the expert should be informed whether:
   - Upgrades are to be included in the same SoW, clearly separated in a dedicated section.
   - Upgrades are to be documented in a separate SoW.
   - Upgrades are not to be included, and the expert is to prepare a like-for-like repair scope only.

2. **Policy Coverage Clarification**
   The instruction should confirm whether the policy includes or excludes upgrades to meet current codes. This decision should not be left to the expert's discretion.

3. **Accountability for Instruction Quality**
   If the above guidance is not provided, it should be acknowledged that the expert has received insufficient instruction. In such cases:
   - SLA breaches and additional costs should not be attributed to the expert.
   - Responsibility should rest with the Insurer or Loss Adjuster for failing to provide adequate direction.

D. Industry Comparison: Insurance vs. Greenfields Construction

To illustrate the disparity in documentation standards:

- In insurance, a $300,000 repair claim may be supported by a single SoW document, often without any additional detail.
- In contrast, a $300,000 renovation or extension in Greenfields construction typically includes a SoW plus 4–8 supporting documents, such as design drawings, specifications, and schedules.

This comparison highlights a significant gap in documentation rigor, which can compromise the quality and efficiency of insurance-related construction outcomes.

Often in Insurance workflows the SoW is heavily relied upon from start to finish as the primary document informing the rectification works, but lacks detail and specialist advice from an Engineer, Certifier/surveyor.

By virtue of an Insurance claim being a time sensitive program, it is thought that the quicker a Builder starts on site, the quicker the claim is finalised and Claimant back in their property. The reality is often different in that the project starts without proper planning and approval and runs into challenges every step of the project.

By comparison, the construction industry invests in a design and certification process up front, prior to any works physically starting on site.

The effect in the construction industry is, once they start the project it generally runs smoothly and materials/trade sequencing is enabled. A project schedule is established with a known completion date and penalties are applied to the contract in failing to achieve the completion date.

A key learning from the construction industry; upfront investment in time and resources leads to smoother, compliant and predictable delivery.

E. Preparing SoW documents

To ensure consistency, clarity, and quality in the preparation of Scopes of Work (SoW), we recommend the following guidelines be applied across two categories of insurance claims based on repair value and complexity.

Whilst we suggest the threshold is below and above $50k, this is just a guide to assist in determining a simple VS a more complex project. We acknowledge there are claims of a simple nature well beyond the $50k threshold, likewise complex matters of low claim value.

The principles of our methodology is a SoW may only be a **preliminary** document for the purposes of assessment activities, it may not be suitable in raw form for accurate tendering, or construction unless the works are non-structural. Proceeding to tendering and construction with a Preliminary SoW on a structural and complex project can result in non-compliance to building codes, delays in project, variations and under Insurance outcomes.

We recommend two types of Scopes of Work:

1. **Preliminary Scope** – for low value, low complexity and non-structural matters. Can be used for tendering and construction on simple matters.
2. **Construction ready Scope** – for works involving structural elements, third party professional engagement, design documentation and often, building approval activities. Used for managing compliance with building codes, tendering and construction.

Category 1 - Repairs valued less than or equal to $50k.

In this category, we refer to a typical high frequency, low value property claim, such as an Escape of Liquid or a water ingress events.

The SoW is to be prepared by an expert that has a minimum qualification of Builder with a registered Building License.

The SoW is to:

- Use plain language that is easily understood by non-technical stakeholders.
- Assist in the claim assessment and policy application
- Be structured in room-by-room format, including room dimensions (length × width × height).
- Include a separate section for repairs identified as unrelated to the claimed event i.e. maintenance or defects.
- Declare whether the SoW aims to match the pre-existing asset like-for-like, or whether it aims to also include upgrades to meet current building codes.
- Declare any substitutions of materials or products where the original items are no longer available.

As a guide, the following categories should be covered in a Scope of Works:

- Location/Room
- Dimensions of room
- Description of work to be carried out/labour

- Quantity of material
- Unit of measure
- Rate applied $
- Sub totals
- Provisional or prime cost items
- Window and door schedules

Category 2 - Repairs valued greater than $50k.

This category is divided into two categories:

- Non- structural/cosmetic works
- Structural/load bearing, or works involving external wall and roof systems

Similarly to category 1, a SoW should serve as a preliminary document to:

- Record and quantify the damage
- Identify defective or maintenance-related items
- Consider potential upgrades to meet current building codes
- Enable Insurers and Loss Adjusters to determine appropriate next steps
- Manage stakeholder expectations

The preliminary SoW may be used for tendering, however may rely upon a set of nominated allowances for prime costs and provisional allowances, an example would be an allowance for supply of kitchen benchtops $6,000 or Engineer inspection and reporting of $2,000.

Typically a Preliminary SoW is effective for claims over $50k when the works are like for like and cosmetic or non-structural in nature. An example of this would be a kitchen fire with only superficial damage requiring strip out of linings and replacement of joinery, appliances, floor coverings and painting.

Preliminary SoW are adequate up until the works become structural and start to involve load bearing components, or external wall and roof systems.

It is then necessary to step up the quality of the SoW and engage third party specialists to investigate and design the works required, including building approval.

Further requirements for a construction-ready <u>structural</u> SoW

If the SoW were to be used for construction (beyond damage quantification), the following recommendations should be implemented:

- Commission all relevant experts to prepare supporting documentation which may include:
    - Architectural drawings
    - Structural design drawings
    - Geotechnical investigations
    - Technical specifications
    - Material data sheets
    - Hydrology/flood reports
    - Bushfire assessments
    - Heritage impact statements
- Engage with a Certifier or Building Surveyor to ensure compliance
- Conduct exploratory/invasive investigations to reduce unknowns prior to finalising the SoW

The effort and time invested in obtaining accuracy at the front end of a complex structural project, is returned ten-fold in the construction phase of a project due to clear requirements of the works required, eliminating latent conditions, surprises resulting variations, delays in materials and trades and risk to the project budget.

F. Resilience when rectifying a damaged building

Resilience is a term commonly referenced by Insurers when responding to a loss, often encouraging the industry to complete the repairs in a more robust or practical method given the known risk of the home. For many properties it simply means building it back to the relevant code or standard required at present, which may be vastly different to the requirements when the property was first constructed.

Typically, a property constructed in a modern era is constructed to the building code relevant at the time of construction and is a far more resilient or capable structure than a property constructed in the post war era or into the 1970's and 80's.

When repairing a 1980's property as an example, there will be necessary considerations with regards to structural tie downs within roof members to withstand uplift/wind events. With regards to resilience to a bushfire attack, a 1980's property may require a

completely new external wall, roof and floor system to meet compliance, dependent on its risk rating.

Or to mitigate risk against flooding, a 1980's property may require remodeling to elevate habitable rooms to a second story, raising critical services or elevating the floor level beyond a probable flood level.

When responding to most insurance claims and significant events, providing a Scope of Works that incorporates resilient practices simply means, meeting compliance with current building codes, examples:

- **Bushfire resilience**: to upgrade a property to manage its bushfire risk requires the SoW to comply with *Australian Standard 3959: Construction of Buildings in Bushfire Prone Areas*. Experts are required to determine the bushfire attack level (BAL) then apply the relevant requirements to the property. First published in 2009 following the devastating 'Black Saturday' fires in Victoria, since 2009 the industry is well informed and guided for bushfire resilience.
- **Wind uplift/cyclone events**: *Australian Standard 1684 – Residential Timber Framed Construction* was first published in 1975 and even earlier versions existed under a different name, however it was the 1992, 1999 and 2010 versions of *AS 1684* that evolved and established the minimum acceptable standard to withstand uplift and lateral wind loading. For modern construction, certainly post 1999, the industry is well informed and guided to manage wind/cyclone resilience.
- **Flood Resilience**: There is currently no building code or Australian Standard instructing the industry on the minimum acceptable standard of repairing a flood damaged property. The National Construction Code (NCC) does not provide specific design guidance to avoidance of flood damage, whilst cyclone and bushfire is well covered. Often flood risk comes down to the geographical factors of the site, along with the relative height of the habitable floor level and the material type/design of the structure. Flood resilience in an insurance reinstatement scenario is still quite subjective and not enforceable by way of regulation or compliance. There is however, informative design guides (link below) and reputable experts in the industry promoting flood risk mitigation practices, likewise state and local governments are commencing to implement

land use initiatives, property buy back schemes and re-zoning of extreme flood risk sites.

https://www.qld.gov.au/__data/assets/pdf_file/0021/273036/design-guidance-for-flood-resilient-homes.pdf

G. Cash Settlement Considerations

Using a Preliminary Scope of Works to obtain a costing for cash settlement purposes when a sum insured is inadequate (i.e. won't be sufficient to cover the loss) can be an effective method of expediting the insurance process for all parties. However, cash settling below the sum insured can pass on risk to the Claimant/Insured if they intend to rebuild/repair. Cash settlement fact sheets issued by Insurers and Loss Adjusters to Claimants seek to educate this risk.

Often, adequacy of the sum insured is determined at the front end of a claims process. A preliminary SoW is obtained and either a Builder/Consultant, or Quantity Surveyor apply standard rates or develop an estimate to determine if the sum insured is sufficient to repair or rebuild the property. However, on occasions this phase is overlooked or not managed effectively, workflows proceed and include additional investigations, engagement of third parties for reporting at the expense of the Insurer but also at the expense of the Insured/Claimant in terms of claim life delays. Unnecessarily incurring cost and time when the sum insured was reasonably foreseeable as inadequate, results in a negative outcome and experience for Insurers and Claimants, all of which can be prevented by holding informed sum insured considerations up front.

H. Tendering of scopes by Panel Builders

The detail and transparency in the Scope of Works must be replicated in the Builders tenders. That being room by room and line by line format, including:

- Descriptions
- Quantity
- Unit of measure
- Rate $
- Sub totals
- Supervision
- Preliminaries
- Provisional allowances/Prime costs
- Margin
- Total
- Assumptions/departures/exclusions
- Lead time

For consistency, Insurers and Loss Adjusters could mandate the use of a formatted tender form across their panel of contractors, this would facilitate consistency in tender presentation and drive accountability in tender validation activities.

Consistency and transparency in tender documentation provides benefits to Insurers and Claimants alike, ensuring informed decisions are made based upon comprehensive documentation and awareness.

I. Contract issuing and commencement/lead time

Nominating lead times for materials ordering, site establishment, trade coordination post the contract signing, is essential in managing expectations of stakeholders and accountability of Builder.

The Insurance Industry in general, does not manage lead times, rather Builders are enabled to manage their workflows without penalty. Typically in construction, contractors will nominate their lead time in their tender, based upon the pipeline of work they have at the time, aswell as active projects. The nominated lead time then carries over to the building contract, typically a range of 4-8 weeks for lead time commonly nominated in the domestic industry, 2 weeks for small projects however varies based on the scale of the job.

Lead times to commencement of an insurance repair should be enforced and there are mechanisms under a standard building contract to do so.

END OF DOCUMENT

Date of Issue:	Version	AiBEC Director
15 September 2025	1:A	James McIntosh