AiBEC

Association of Insurance Building & Engineering Consultants

AiBEC Standard

EXPERT REPORTS BEST PRACTICE

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Executive Summary

The recommendations contained in this document are intended to start a broader conversation on expert industry input to enhance proficient reporting practices and engagement throughout the general insurance sector.

Furthermore, the recommendations put forward are not an exhaustive composition, but a starting point to generate dialogue between the ICA, ASIC, AFCA, ACCC, insurers and AiBEC in promoting better ways of working and appointing independent experts within the financial services industry.

We have drawn on recommendations and commentary from several recent industry documents highlighting enhancement opportunities for industry experts engaging with insurers;

- Establishment of appropriate industry qualifications and experience for defined experts within the insurance industry.
- Provide clearly formatted objective and dialectical reporting.
- Reporting language to be appropriate for technical relevance, while incorporating vernacular terminology.
- Establish a method for the general insurance industry to apply weighting for report types.
- Benchmark the minimum reporting inclusions and requirements.
- Remove instructional knowledge gaps between experts and general insurance employees during the report requesting process.
- Implement advancements in technology to provide scalability during peak demands.
- Provide comprehensive and transparent repair scoping.
- Empowering experts to identify and engage with vulnerable consumers.

We have drafted the initial document to demonstrate AiBEC's ability to provide support for the industry, community and government in understanding and setting industry expectations and best practice on expert reporting.

Recommendation 1- Report Tiering

The general insurance industry relies on the input of multiple cross disciplinary experts and specialists to assist with determining policy outcomes. This subgroup of experts may have considerable influence in the policy determination process.

Therefore, consideration should be given to the level of expertise an individual possesses in simple and definable terms. It would be our recommendation, that report tiering be applied to offer insurers and communities a guide on the weighting and influence a report or individual undertaking the report may hold.

1.1 Tier 1 – Master- Expert Evidence & Witnesses

(Usually engaged directly to insurers)

A Tier 1 report is the standard wherein the document would be utilised in a court of law. This report would likely be used in an insurance dispute situation and need to consider and comment on divergent factors. The expert would need appropriate qualifications and experience and to ensure the weight of the writer's opinion isn't being diminished during the court proceedings. Furthermore, the expert should maintain a knowledge and understanding of new and evolving trends within their area of expertise by means of continued professional development.

This tier of reporting is governed by federal and state laws, including an expert witness code of conduct. While the general recommendations of this report would apply, this level of reporting resides outside the purpose of this document's principal intent.

1.2 Tier 2 – Professional - Expert Reports

(Engaged directly to insurers or indirectly through service providers)

1.2.1 Enhancement Purpose (Why)

Reporting on the general built environment where complex interdependencies between building fabrics, methodologies and external environmental impacts occur. Examination and consideration on multiple conflicting influences requires a substantial degree of engineering or expert knowledge, supported by tertiary education and suitable experience.

These experts operate across multiple building classifications, are proficient where causation influences reside across several areas, with extensive repair methodologies to provide guidance during complicated policy outcomes for customers and insurers.

Some examples of this reporting tiering would include Structural Engineering, Hydrologists & Building Consultants

1.2.2 Desired Outcomes (What)

- Provide crucial specialist support and expertise for the general insurance industry where extensive knowledge of the built environment is required.
- Where Tier 1 reporting deficiencies are identified and further expert knowledge would provide further assistance for the customer and insurer.
- Providing factual, objective quantitative and qualitive analysis for the general built environment.
- Provide a pathway for current industry experts to drive excellence in the industry.
- Support an ageing population in generating employment opportunities in the insurance sector, while providing succession planning for the wider industry in learning and coaching to build the generational collective knowledge.
- The pool of available Experts is shallow in context of the Insurance claims portfolio, tiering ensures Experts are retained for only the necessary and complex matters in BAU periods while providing scalability during catastrophe/volume periods.

1.2.3 Change Recommendation (How)

- Tier 2 reports contain factual evidence to support the opinion of the tertiary qualified specialist, providing guidance for those elements within the specialist's scope or expertise.
- This level of reporting may contain testing, evidenced based opinion and reasoning, investigative works and would include a level of technical language.

- All reporting should contain statements substantiated by facts and cognitive reasoning as to how the consultant arrived at their decision, for example 'The cracking of the masonry wall contained evidence of paint within the crack, being evidence that the crack existed prior to the last time the wall was painted'.
- Professional recognition for individuals and organisations through industry associated accreditation bodies to benchmark the minimum proficiencies required to provide appropriate expert and specialist reporting for the financial services industry.
- Professionals should maintain a knowledge and understanding of new and evolving trends within their area of expertise by means of continued professional development.
- Reverse briefing conducted to confirm instructions provided on the reporting requirements between insurers and experts.
- Experts to adhere to a professional body Code of Conduct.
- Experts to be cognisant of obligations and expectations contained in the General Insurance Code of Practice including training in dealing with vulnerable clients.

1.3 Tier 3 – Fundamental – Trade Qualified Specialists Reports

(Usually engaged indirectly through service providers to insurers)

1.3.1 Enhancement Purpose (Why)

Reporting on standard trade level building fabrics and methodologies, can often be accomplished by suitably qualified, knowledgeable and experienced trade services.

General residential dwellings where causation influences reside within a trade qualified specialists' scope, may in some instances be superior in aiding policy outcomes; due to time efficiency, trade mastery/proficiency and economic benefits driving a higher frequency of engagement increasing support for insurers and customers during policy coverage determinations.

Some examples of this report tiering would include Roofing, Plumbing Leak Detection, Electrical and General Building.

1.3.2 Desired Outcomes (What)

- Provide specialist support for the general insurance industry for high volume low quantum decisions.
- Providing factual, objective commentary within the trade specialist's scope.
- Provide a pathway for current industry trade professionals to drive excellence in the industry.
- Support an ageing population in generating employment opportunities in the insurance sector for experienced trades no longer able to undertake the physical demands of the trade type.
- Reports provided at a sustainable price point that supports Insurers cost outcomes for customers premiums.

1.3.3 Change Recommendation (How)

- Adoption of Tier 3 reports containing factual evidence that support the opinion of the trade qualified specialist to provide guidance for insurers and customers on those elements within the specialist's scope or expertise.
- The reports, as a minimum, should adopt Australian Standard AS 4349.0 Inspection of Building: General requirements and incorporate standardised descriptions and terminology provided under AS 4349.1 Inspection of Buildings: Pre-purchase inspections - Residential Buildings and the National Construction Code.
- The reports are required to reference industry standards, manufactures guidelines and National Construction Codes as necessary to support recommendations and statements.
- Make recommendations to engage with other industry experts and specialists, should the scope of the report be outside their level of expertise.
- Promote education and upskilling of skilled labour through programs targeted to increase report writing skill sets.
- Generating employment opportunities in the insurance sector to support the aging population, while providing succession planning for the wider industry in learning and coaching to build the generational collective knowledge.
- Professional recognition for individuals and organisations through industry associated accreditation bodies to benchmark the minimum proficiencies recommended to provide appropriate reporting for the financial services industry.
- Specialists to be cognisant of obligations and expectations contained in the General Insurance Code of Practice including training in dealing with vulnerable clients.

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Recommendation 2- Report Benchmarking

Report standardisation requires careful orchestration to enhance the likelihood of early adopters in driving wider acceptance throughout the industry. The perception that individual organisations commercial advantages and marketability may be impacted must be considered when providing direction to the wider industry.

To provide broader industry buy-in and reduce terminology stigmas around the word standardisation, adopting a “Benchmarking” approach may provide a better indication of the practice.

Reporting designed to assist the general insurance sector must be consistent with inclusions, clearly laid out to assist customers and insurers in making informed timely decisions. Report benchmarks established by categories of ‘Peril’, would provide industry consistency for report composers and insurers across common claims.

To support the initial enhancement of expert reporting the following opportunities for benchmarking are proposed but not limited to;

- Develop a reference document containing specific building and engineering terms/definitions relative to the general insurance industry. (e.g. wear & tear, non-claim related damages).
- Industry specific minimum reporting inclusions developed based on established requirements for tiering levels (Australian Standards, Industry Best Practise, “Peril’).
- Reporting Code of Practise developed and adopted by industry professionals and insurers outlining service expectations for both stakeholders.
- Educational programs developed for report writing and ethos to raise industry standards and drive continual improvement.
- Suitably qualified AiBEC members providing education for insurers to reduce the knowledge gap on report reading and interpretation.
- Reverse Briefing conducted to confirm instructions provided by insurers are suitable to undertake the investigative reporting necessary.
- Ongoing monitoring and education for all stakeholders in preventing experts from making comments or recommendations about policy coverage.

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Recommendation 3- Repair Scopes of Work

The general insurance industry relies on expert recommendations to develop simple and complex repair methodologies and scopes. At present the Expert Report Best Practice Standard does not refer to Scopes of Work. Recommendations 17 (Part 4.179) and 18 (Part 4.180) of the 2022 Major Flood Claims - Flood failure to future fairness inquiry, both identified Scopes of Work as a topic that required further development.

In line with these recommendations, we propose Scopes of Work should be transparent, upholding probity by considering and acknowledging unknown risks while developing a repair methodology consistent with construction industry standards and legislation.

Developing accurate repair scopes and methodologies for insurers to base financial decision upon holds inherent challenges due to the general nature of remedial building repairs including, lack of clearly visible damages, site accessibility, the requirement for additional specialist input during design and changes in building legislation compliance.

To provide guidance for the industry, we identified the following opportunities to establish scoping accuracy expectations and increase transparency for insurers, customers and governing bodies.

- Implementing a classification approach to scoping – Preliminary scoping & Comprehensive Scoping.

  Preliminary Scopes are suitable for basic repairs, while also including larger more complex scopes that cannot be reasonably finalised at a point in time. Based on a visual/non-invasive inspection with a degree of accuracy of ≤75%

  Comprehensive Scopes are utilised for complex and structural repairs and/or higher value repairs involving the procurement of third-party reports including, Engineering design, Certifier/Surveyor, BAL and Energy efficiency, liveable housing assessments. The comprehensive scopes use reporting to quantify the required works and repair methodologies providing a degree of accuracy ≥ 90%.

- Persons undertaking scoping for Preliminary or Comprehensive classifications, must hold qualifications and technical experience relevant to the scoping being produced. Where scoping resides outside the persons undertaking level of expertise, this should be shown clearly, with recommendations to engage the relevant expert. In general, we would consider the preparation of residential scopes as 'Building Works'.
- A Scope of Work should be written in a manner that is able to be interpreted by a lay person – room by room and in chronological order.

- Costs for items or repair methodologies unable to be established with a degree of certainty, must incorporate Prime Cost and Provisional Sum allowance to provide transparency for insurers, consumers, and governing bodies. A simplistic example would be building components that vary in price significantly i.e. ceiling fan, cabinetry units. Such costs are unable to be confirmed at the time of scoping and often require customers to make selections.

Reflecting that remedial works will always contain a degree of uncertainty, until works progress and the full quantum of the project is established during construction. Stakeholders should be made aware of the limitations industry experts can confidently establish repair scopes beyond reasonable doubt.

Additionally, insurance policies typically require repairers to reinstate assets to their pre-existing condition, albeit to a standard of construction that is compliant for the current period. However, often the repair methodology fails to consider a more resilient method of construction, i.e. scoping to reinstate electrical items in a location where they could be impacted by a reoccurring similar event. Continuing with the before mentioned electrical example, an alternative would be to raise the electrical fixtures and wiring above the flood level.

The industry typically considers ‘betterment’ to have occurred when repairs are over and above the resultant damage. Professionals compiling repair scopes should be considering alternative resilient building practises when prescribing a scope of work. ‘Betterment’ works that improve a assets ability to perform when exposed to repeated events of a similar velocity/impact, may reduce the probability of reoccurring claim cost impacts, alleviating future industry cost pressures on consumers.

The method of reconstruction has a direct correlation to the overall future financial and social resilience of communities.

Conclusion

AiBEC aims to improve our members' approaches and deliverables in Expert Reporting to enhance quality and outcomes for Insurers and Consumers in overall view of bettering and improving claims handling experiences and expectations when Expert Reports are used.

We look forward to your comments and value the opportunity to present and meet with the ICA regarding our submission and its inclusions.

Should you require further information or qualifications on our submission, including the inception of AiBEC in response to our professional efforts in bettering the insurance expectations of Experts, we welcome such an opportunity in advance.

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