

How the Insurance Industry Misuses “Industry Standard” to Underpay You

If you've ever filed a water damage or property loss claim, chances are you've heard a familiar phrase:

“We can only pay what’s customary or industry standard.”

At first glance, it sounds official. It sounds fair. But here's the truth — it's misleading.

Let’s break down how insurance companies use this phrase to reduce your claim payout — and what you can do to protect yourself.

1. What “Industry Standard” *Really* Means (to Them)

When an adjuster uses the term “industry standard,” here’s what they want you to believe:

- There’s a universal price list for restoration services across the country.
- All contractors should charge the same rates, regardless of their experience, business model, or location.
- Any price above their so-called standard is excessive or inflated.

The reality? None of that is true.

2. The Truth: There Is No Official “Industry Standard”

Restoration contractors are independent businesses. They’re not employed by insurance companies and don’t follow a fixed price list. In fact, they set their rates based on several factors:

- Labor and material costs
- Equipment investments
- Business overhead
- Regional market conditions
- Project complexity and risk

There’s no law or regulation that mandates uniform pricing for mitigation or restoration work. “Reasonable pricing” is defined by what professional contractors charge in your market — not by what an insurer hopes to pay.

3. The Role of Estimating Software — and Its Misuse

Insurance companies often refer to software like Xactimate or Symbility when they talk about “standard” pricing.

But here’s what they don’t mention:

- These tools openly state (e.g., in the Xactimate End User License, Section 12.3) that their price lists are meant to be **guidelines**, not fixed rules.
- The software **encourages adjustments** based on real-world job conditions.
- Insurance companies routinely use these estimates to lower claim values, while ignoring the actual cost of skilled labor and specialized services.

Forcing all contractors to stick to software-generated pricing would amount to **price fixing** — and that’s illegal.

4. Your Signed Contract Is the Standard — Not Their Software

When you hire a restoration contractor and sign an agreement:

- You and your contractor establish the scope and cost of work.
- That contract reflects what’s reasonable and customary for your situation.
- The insurance company’s job is to reimburse you for **real expenses you’ve incurred**, not to substitute its own pricing after the fact.

The only legal standard that matters is what similar services cost in your area — not the insurer’s internal guidelines or preferred software estimates.

5. What to Do If They Mention “Industry Standard”

If an insurance adjuster tries to limit your payout using the “industry standard” argument, here’s how to respond:

- **Ask for proof.** Request the specific policy clause that limits contractor pricing. Spoiler: it doesn’t exist.
- **Stand your ground.** Remind them that you’ve already hired your contractor and incurred legitimate costs.

- **Document everything.** Work with your contractor to provide evidence of fair market rates and completed work.
- **File a complaint.** If necessary, contact your state's insurance department. Misusing vague terms to deny payment may violate insurance laws.

Bottom Line

You have the right to choose your contractor — and that contractor has the right to set their own rates.

The insurance company's duty is to make you whole after a loss, not to create made-up price caps once the work is finished.

At **Restoration Doctor**, we don't let insurers push our customers around. We fight back against unfair payment practices and make sure you understand your rights from day one.