

The Truth About Xactimate: How Insurance Companies Control Pricing and Why It Matters

If you've ever filed an insurance claim for water damage, property loss, or repairs, chances are you've heard your adjuster say something like, “We use Xactimate pricing.” It's often presented as a universal standard, but the reality is more complicated—and more concerning.

What is Xactimate and Who Controls It?

Xactimate is a pricing software developed by Verisk Analytics, a company deeply tied to the insurance industry. In fact, insurance companies are Verisk’s main clients and stakeholders. This relationship creates a clear conflict of interest: the very industry responsible for paying your claim also has significant control over the tool used to determine how much they owe you.

In other words, the system used to estimate repair costs is not independent. It's influenced—directly or indirectly—by those who benefit from paying out as little as possible on your claim.

Xactimate Is Just a Starting Point—Not the Final Word

Many policyholders assume Xactimate provides strict, unchangeable pricing. However, even Xactimate’s own terms (specifically Section 12.3 of its user agreement) state otherwise. The price lists it provides are intended as **guidelines**, not mandates. Contractors are expected—and permitted—to adjust pricing based on:

- Local market conditions
- Material or labor shortages
- Job-specific complexities
- Overhead and operational costs
- Demand in the area

Insurance companies have no legal right to force contractors to stick rigidly to Xactimate pricing. In fact, doing so could potentially constitute illegal price fixing.

Why Accepting Xactimate Pricing Blindly Is Risky

Adjusters often say, “We’ll only pay what Xactimate deems reasonable,” but there are serious risks to blindly accepting this stance:

- **Underpayment:** You may not receive enough funds to restore your property properly.

- **Poor Quality Repairs:** Low estimates often result in cut corners and subpar workmanship.
- **Limited Contractor Options:** Skilled professionals generally avoid jobs priced below fair market value.
- **Out-of-Pocket Costs:** You could end up paying the difference yourself just to get the job done right.

What Every Policyholder Should Know

You have rights that go beyond the constraints of any software:

- **Full Restoration is Required:** Your insurance company must restore your property to its pre-loss condition. That's a contractual obligation, regardless of Xactimate.
- **Freedom to Choose Your Contractor:** You are not obligated to hire "preferred vendors" working under insurer pricing restrictions.
- **Reimbursement Must Reflect Reality:** You are entitled to compensation based on actual, fair market costs—not software-generated estimates that may not reflect current conditions.

The Bottom Line

Xactimate is a tool—not a rule. And it's one developed under the influence of those with a vested interest in keeping claim payouts low. Understanding this helps you challenge underpayments and advocate for what your policy truly promises.

At **Restoration Doctor**, we help our clients navigate these complexities and push back when insurance companies attempt to undervalue legitimate claims.

Stay informed. Stay empowered. Protect your rights.