



Xactimate Demystified

1. Xactimate is computer software that estimates construction costs through “unit cost pricing”. Many insurance companies require their adjusters use it to calculate repair and rebuilding costs for damaged and destroyed buildings. Adjusters use Xactimate estimates as the basis for the settlement offers they make on claims. Xactimate is generic software that is best suited to tract homes. If your property is custom-built, has unique features, historic, or located in a high value area, Xactimate’s numbers will likely not be sufficient to reimburse you for the actual cost of repairing and replacing *your specific home*. Underestimating on material costs and lowballing resulting from the improper use of Xactimate has caused many disputes and lawsuits, and some insurers are moving away from requiring their adjusters to use it.

2. The majority of professional builders do not use Xactimate – they base their cost estimates on subcontractor bids and their general knowledge about the costs and time involved in a potential job. Many contractors/builders are unfamiliar with Xactimate. It is hard to compare an Xactimate estimate “apples to apples” with a more traditional contractor/builder estimate that’s based on sub-bids.

3. The best approach to getting a fair claim settlement is for a property owner or their representative to get an independent estimate for repairing or replacing damaged or destroyed property from a reputable licensed construction professional who is trained in Xactimate®, even if they do not use Xactimate to create their own estimates. This will level the negotiation playing field for the property owner. It is often beneficial for the homeowner’s contractor to obtain subcontractor bids to help support and document their estimate.

4. Proper training is essential with Xactimate, and if your adjuster and/or the contractor he/she hired to create an Xactimate estimate for your property did not know how to use the software properly, the result will probably be wrong. Generally it will be on the low side.

5. Xactimate’s pricing is often too low and too generic. The pricing is based on a median survey that does not always reflect up-to-date market conditions. Your insurance company is likely to turn an Xactimate estimate into the settlement offer they make to you. That means that if the basis of that

estimate was inadequate or incomplete the resulting settlement offer will leave you short of what you are entitled to under the policy.

6. A competent adjuster will supplement an Xactimate estimate with bids from subcontractors. It is easy for an adjuster to add in a comment in a specific area that explains or details any additional increase in cost. It may be important to explain why the costs are higher by pointing out the uniqueness of a building component. As an example, a property may not be easily accessible and certain construction equipment, such as a backhoe, cannot gain access to the property. A note explaining the necessity of this type of additional cost will be useful for anyone reviewing the estimate.

7. Xactimate estimates look impressive because they are well-organized, professional-looking and lengthy, but they are often inaccurate. A computer cannot replace the knowledge of a local, experienced construction professional as to the materials, time and labor costs associated with a job.

8. If you, your contractor, your licensed public adjuster, or your attorney are not familiar with Xactimate, you are likely to be at a disadvantage in negotiations/mediation with your insurer. Insurance companies often want estimates to be broken down in the detailed format provided by Xactimate. If your estimate cannot be compared *apples to apples* with an Xactimate format, you will have a hard time convincing an insurance company to pay what you are owed.

9. Xactimate software is owned/sold by the Insurance Services Office, (“ISO”), a member of the Verisk Analytics family of companies which perform a wide range of modeling, rating and policy related services for the insurance industry.

10. For more information, please read the following United Policyholders’ publications, all free and available online at www.uphelp.org.

- Dwelling Claim Tips: www.uphelp.org/dwelling
- Guidelines for Reviewing Adjusters’ and Contractor’s Estimates: www.uphelp.org/estimates
- The Scoop on Scope of Loss: www.uphelp.org/scope
- Physiology of Xactimate: www.uphelp.org/Physiology

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