



Xactimate® Demystified

1. Xactimate® is a computer software system for estimating construction costs that has become widely used by insurance companies in the past decade. Insurance company adjusters use it to calculate building damage, repair and rebuilding costs. Adjusters use Xactimate to generate loss estimates and claim settlement offers. Xactimate® is, however, generic software that is best suited to tract homes. If your property is custom-built, 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 factored into many claim disputes and lawsuits, particularly in the aftermath of Gulf Coast hurricanes.
2. Contractors and builders generally do not use Xactimate – they base their cost estimates on sub-contractor bids and their general knowledge about the costs and time involved in a potential job. Many contractors/builders are unfamiliar with Xactimate. So if your contractor/builder is participating in settlement discussions with you and the insurance company's adjuster, he or she may be at a disadvantage. In addition, it is hard to compare an Xactimate estimate "apples to apples" with a more traditional contractor/builder estimate 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

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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. They’re located in the Claim Tips section, which can be found on the left side navigation bar on our home page:

- Dwelling Claim Tips:
<http://unitedpolicyholders.org/disaster/library/DwellingClaimTips.pdf>
- Guidelines for Reviewing Adjusters’ and Contractor’s Estimates:
www.unitedpolicyholders.org/pdfs/Guidelines_Estimates.pdf
- Sample Claim Forms/ Scope of Loss:
http://uphelp.org/claimtips/tip_samples.html

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These tips were drafted by Amy Bach, Esq., UP Staff with assistance from Ronald R. Reitz and Masood Kahn, Esq., V.P., The Greenspan Co./Adjusters International. The information presented in this publication is for general informational purposes, and should not be taken as legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the “Find Help” section of <http://www.uphelp.org>. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors or professionals identified at our website. United Policyholders respects and protects the privacy of all individuals who communicate with us. We do not sell or share our membership or mailing lists.

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