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Weaponizing Xactimate: The Insurance Industry's Dirty Secret



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Across the property insurance landscape, one software platform reigns supreme: Xactimate. Used by over 80% of insurers, this estimating tool was developed by Xactware now owned by Verisk Analytics to establish fair and standardized pricing for residential and light commercial repair costs. But what was intended to bring consistency and transparency to the claims process has been systematically manipulated, weaponized to reduce payouts, limiting liability of exposure, this is my opinion and my experience seeing it first hand.

I've spent over a decade working with contractors, training both senior and newly licensed adjusters, many working as staff or 1099 independent insurance adjuster subcontractors for insurance companies or Insurance firms on how to properly use the Xactimate platform and understanding the best practices of the software. My firm, and working along with Trident Group Inc., has documented case after case where estimates generated using Xactimate software have come in 30% to 50% below actual construction costs for residential losses, and sometimes even higher for commercial properties.

A Growing Crisis of Competency

Insurance carriers are increasingly dispatching unqualified representatives to inspect damaged properties. Many of these adjusters lack construction experience and have never been properly trained on how to use the software. Worse, they're often guided by internal carrier "claim handling guidelines" rather than the policy language itself. This results in adjusters conducting partial or surface-level inspections, ignoring damage accessibility, selecting substandard materials, or deliberately omitting required repairs.

In effect, policyholders are left with lowball estimates that ignore industry-standard methods and fail to return their properties to pre-loss condition. These decisions are not the result of innocent oversight; they are part of a systematic effort to limit indemnity, cut costs, and protect corporate profits.

Financial Incentives and Ethical Failures

It is a little-known yet widely acknowledged truth within the adjusting community: some insurance carriers offer bonuses or "gain-share" incentives to adjusters who reduce claim payouts. This practice creates a dangerous conflict of interest. Rather than honoring the adjuster's fiduciary responsibility to avoid overpaying or underpaying a claim, these incentives push them to under-scope and undervalue damage. The result? Carriers maximize profit at the expense of their policyholders.

Senator Josh Hawley recently brought national attention to this issue, calling out major carriers like Allstate and State Farm for defrauding policyholders and intimidating whistleblowers. In a public hearing, Senator Hawley stated plainly what many of us in the field have witnessed for years: carriers are knowingly and systematically suppressing legitimate claims to reduce costs.

(Note: The YouTube Hawley hearing video can be viewed on the 3RSystems.com/proposal page)

A Manipulated Software Platform

What's most alarming is that Xactimate itself, designed to offer consistent, data-driven pricing is being misused. Adjusters are instructed to input the bare minimum, remove damaged items arbitrarily, skip protective measures, and select lower-cost substitutes that do not match the existing structure. Some even ignore the requirement to apply proper access labor, protection for unaffected areas, or code-required upgrades.

The software's pricing structure reflects a clustered average price point established between a high and low range from localized market surveys. As outlined in Verisk's EULA, Section 12.3, pricing data is already 30 days old and is considered "historical," with no warranty for accuracy. This means any deviation above the "average" for high-end residential or premium commercial properties is rarely accounted for leading to chronic undervaluation of actual repair costs.

A System Designed to Exhaust the Insured

Most homeowners and business owners aren't equipped to understand Xactimate's pricing nuances, let alone challenge a trained adjuster. They accept the carrier's estimates as truth, unaware they're being shortchanged. Contractors are often told to "eat the cost" or hear dismissive phrases like, "That's just the cost of doing business."

That approach is not just unethical, it's unsustainable.