

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

If you’ve ever filed a water damage or property loss claim, you’ve probably heard the phrase:

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

It sounds official.

It sounds logical.

It’s also completely misleading.

Let’s break down how the insurance industry weaponizes this phrase to minimize your payout — and what you need to know to protect yourself.

1. “Industry Standard” — What They Want You to Think

When an adjuster tells you they can only pay the “industry standard” rate, they want you to believe:

- There is a universal, nationally accepted price list for all restoration services.
- Every contractor should follow the same pricing — no matter their skill, overhead, or business model.
- Anything above their made-up “standard” is unreasonable or inflated.

This is false.

2. The Reality: No Official “Industry Standard” Exists

- Restoration contractors are independent businesses, not insurance company employees.
- Contractors set their prices based on:

- Labor costs
 - Equipment investments
 - Overhead
 - Market conditions
 - Project complexity
 - Risk factors
 - No law or regulation mandates a set price list for mitigation or restoration services.
 - “Reasonable” pricing is defined by the market — meaning what licensed professionals actually charge — not what insurance companies wish to pay.
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3. How Carriers Misuse Estimating Software

Carriers often rely on estimating programs like Xactimate or Symbility to generate “industry standard” prices.

Here’s the catch:

- These programs admit in their own user agreements (e.g., Xactimate End User License, Section 12.3) that their price lists are merely baselines, not mandatory rates.
- Deviations from the price lists are allowed — and encouraged — depending on project specifics.
- Carriers selectively use these tools to lower estimates, but ignore real-world contractor pricing.

In truth, forcing contractors to abide by preset software pricing would constitute price fixing — which is illegal.

4. Your Contract, Not Their Software, Defines Reasonableness

When you hire a restoration company and sign a contract:

- You and the contractor agree on a price for the necessary work.
- That signed agreement defines what is customary and reasonable for your project.
- The carrier's job is to reimburse you for your actual incurred costs, not to create imaginary invoices after the fact.

The real legal standard isn't what their internal "guidelines" say — it's what the open market charges for similar work in your area.

5. What You Can Do If You Hear "Industry Standard" Claims

- Demand clarification in writing. Ask for the exact policy provision limiting your contractor's pricing (spoiler: there isn't one).
 - Push back respectfully but firmly. Remind them that you chose your contractor, and your incurred costs must be covered.
 - Get support. Work with your contractor to gather evidence of market rates and completed work.
 - File complaints if necessary. Misusing terms like "industry standard" to underpay claims may violate state insurance laws.
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Bottom Line:

You control who you hire, and your contractor controls their pricing.

The insurance company's responsibility is to indemnify you — not to invent false pricing standards after the work is completed.

At Restoration Doctor, we fight back when insurance companies play these games — and we educate our customers so they don't fall for these tactics.