

How Insurance Companies Use “Industry Standard” as a Tactic to Shortchange You

If you've ever had to submit a property damage or water loss claim, chances are you've heard something like:

“We can only reimburse you based on what's standard for the industry.”

It sounds credible.

It sounds fair.

But the truth? It's a carefully crafted misdirection.

Let's explore how insurers strategically twist this term — and what you need to know to protect your financial interests.

1. The “Industry Standard” Illusion

When a claims adjuster refers to the “industry standard,” their goal is to make you believe a few things:

- There's a universal, widely accepted pricing structure for restoration jobs.
- Every contractor in the field should charge the same, regardless of location, expertise, or operating costs.
- Any fee above their “standard” must be inflated or unjustified.

This narrative is misleading — and completely false.

2. The Truth: There Is No Universal Price Standard

Restoration professionals are not bound by insurance company rules. They are independent businesses that:

- Establish their own pricing models.
- Adjust costs based on their labor, tools, materials, local market conditions, and risk exposure.

There are no federal or state mandates that dictate a fixed price list for mitigation or restoration work. What's considered “reasonable” is determined by actual market rates — what local professionals are charging — not an arbitrary figure the insurer prefers to use.

3. The Estimating Software Smokescreen

Insurance companies frequently point to software like Xactimate or Symbility to validate their pricing arguments.

But here's the kicker:

- These tools openly state in their user agreements that their pricing databases are reference points — not hard rules.
- Contractors are encouraged to deviate from the listed prices when circumstances justify it.
- Insurers, however, selectively enforce these “baselines” to keep payouts low while disregarding true contractor costs.

If insurers were to enforce these price points rigidly, it would amount to price fixing — which is illegal.

4. Your Signed Contract Sets the Standard — Not Their Tools

Once you've signed a contract with your contractor, you've set the price for the work needed.

- That agreement becomes the standard for what's reasonable and customary in your specific case.
- The insurance company's role is to reimburse your out-of-pocket expenses — not to retroactively dictate costs based on software.
- Legal definitions of “reasonable” costs come from real-world transactions — not in-house insurer guidelines.

5. How to Respond When They Say “It's Not Industry Standard”

Don't just take it — here's how to push back:

- **Ask for documentation.** Request written proof of the policy language they claim restricts pricing. (Hint: there won't be any.)
- **Stand firm.** Let them know that you picked your contractor, and your actual costs must be honored.
- **Build your case.** Have your contractor help you document local rates, invoices, and completed work.

- **Take action.** If necessary, file a complaint with your state's insurance regulator — using misleading terminology to underpay claims may be a violation of law.

Final Thoughts

You have the right to choose your own contractor, and that contractor has the right to set their own fees.

Insurance companies don't get to invent arbitrary pricing rules after the work is done. Their job is to make you whole — not to rewrite the rules in their favor.

At **Restoration Doctor**, we make it our mission to stand up to these deceptive practices and ensure our clients receive what they're owed — with clarity, confidence, and fairness.