

Guidelines For Reviewing Adjusters' And Contractors' Estimates

Insurance adjusters work for the insurance company and are responsible for preparing an estimate of the cost of repair or replacement of the insured's property loss. Not all adjusters are bad; however, following a major loss event like a major earthquake or wildfire, they may be over-stretched or just plain in over their head. This problem is exacerbated by the need to bring outside adjusters into an area to meet the extraordinary quantity of claims. Generally, for a major event, adjusters may be hired on a contract basis, and even though they are there on behalf of the carrier, they may not be totally up to speed on the insurance companies' client relationship philosophies and may not deal with you exactly like the seasoned but gentle actor playing the role on the TV commercial.

These "hired guns" are not brought in by the carriers for their reputation for handing out money, but for their ability to manage the risk for the carrier. They are "professional" claims adjusters and do what they do on a daily basis. They are motivated to close the file and move on. They are not paid to spend an extraordinary amount of time making sure you get all you are entitled to get. The following information is provided to help "level the playing field" and help you understand a little more about their world and to help you look out for your interests. Make sure to read United Policyholders [Basic Claim Tips](#) and [Dwelling Claim Tips](#).

DOCUMENTING COSTS

Proving up cost is not as easy as simply re-building your home and turning in the receipts. Many homeowners want to build back a different home than the one they had, and the insurance adjuster will probably have a different image than you do of the home that you had previously. Also, a contractor is not likely to give you a proposal to build back exactly what you had, especially if you are not intending to build back that exact house. You have a right, though, to be paid the cost to replace your home to its pre-loss condition, subject to fine print in your policy.

The information presented in this publication is for general informational purposes and is not a substitute for 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 www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

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DOCUMENTING YOUR HOME'S PRE-LOSS CONDITION

One of the biggest hurdles to getting an accurate estimate of the cost to replace or repair a home is getting adequate information regarding the pre-loss condition. Generally, every home is different, and the size of the home and level of interior finishes significantly drive the cost to replace it. After the loss, the adjuster will interview the insured, and ask questions in order to develop a “scope of loss.” The adjuster is in a hurry to move on the next meeting, and the insured’s head is swimming trying to deal with all that they are trying to cope with, along with trying to remember every detail of their previous dwelling. Absence of information tends to result in lower estimates. It might sound simple, but it is important to remember: If the item is not listed in the estimate, the cost for it will not be in the final estimate total.

SOURCES OF PROOF

There are sources of information out there that will help you recreate your home on paper.

1. Call the realtor that represented you in the purchase of the home and ask for a copy of the MLS listing, the property condition inspector’s report and the appraisal. If you have re-financed, your lender will have copies of your most recent appraisal. The MLS listing will include general information and photos of the property, while the inspector’s report will have photos and detailed information on the condition of the property. The appraisal will have photos, room measurements and general notes on special features and overall condition of the property.
2. If your home was built by a merchant builder, or major home developer, you may be able to obtain plans for the home from them. You can visit the appropriate building department to obtain plans from its archives that were used in the original permitting of the structure and all permits to establish major renovations that have occurred since the original construction.
3. As for all those improvements that you have put into your home since purchasing it, there are sources of information that will help. If you hired contractors to do the work, they can provide you with documentation. For those improvements that resulted from sweat equity and your hard work, it is amazing how much information is available through Home Depot’s database regarding history of purchases.
4. Some insurers will pay for “as built” drawings to be prepared. The goal of the drawings is to

document what existed at the time of your loss if actual plans are not available. The cost is considered a “claim evaluation” expense.

All of these sources will help you establish the scope of work which is the foundation and basis of any estimate of the cost to repair or replace. You are not required to provide documentation for all of the features of your home in order to have those items included in your claim, but you will have a much more comprehensive scope of repair or replacement if you do your homework and search out every possible source of information available. You simply will not remember all the features of your home and work that you have done to your home over the years. The estimate and therefore, the cost to replace will be driven by what you recall and what you make sure is covered in the cost estimate.

XACTIMATE 101

The estimating program most commonly used by adjusters is Xactimate. Most likely, the estimate that your adjuster presents you with will be an [Xactimate estimate](#). There are a few key aspects that you need to understand in order to be able to respond better to the estimate that you are presented with:

1. Organization of the Estimate – The typical organization of the estimate is by room. As a construction professional, I prefer to estimate by system and have seen major omissions by insurance adjusters because they focus on counting pieces and can miss major functional aspects of building systems. I reviewed an adjuster’s estimate that had detailed every foot of wood base room by room, but he left out the stucco on the outside of the house!
2. Scope of Work – The most common problems with estimates of loss are related to scope omissions or scope errors. As discussed above, you should provide the adjuster with all the information that you can regarding every aspect of your home, and then look for every aspect of the home in the estimate you are given. Take plenty of time to go through the estimate and try to think about everything that you know was in the home. If you do not readily see an item, put it on a list and ask the adjuster to show you where it is. You see the windows in the estimate, but don’t be afraid to ask “Where is the wood trim on the inside of the windows?”
3. Room Dimensions – In the Xactimate estimate, all calculations are driven by room dimensions. If the dimensions 150-square-foot bedroom is underestimated by only one foot on each wall, the area of the room can be off by 16 percent, and so the area of sheetrock, paint, baseboard, floor

coverings, electrical, heating and air-conditioning will all be underestimated. The dimensions of each room are listed at the top of the section for that room and need to be closely scrutinized.

4. Waste Factors - The waste quantity should be evident for quantities of carpet, vinyl flooring, wood flooring and roofing. If you cannot recognize that the quantity of carpet for a given room is not at least 5 percent greater than the area of the room, ask about it. Waste factors go up for complex color combinations, rooms with detailed borders, etc. Waste factors are hidden in other line items. You should ask the adjuster how much waste is included in all quantities and see if it makes logical sense.
5. Contractor Overhead and Profit (OH&P) - As with most estimating programs, Xactimate allows the estimator the option of either including the OH&P in the line items or detailing it at the bottom of the estimate. Ask how much has been allowed for this area, and make sure you understand where it is included in the estimate. For a single family home project, a contractor's office overhead and contractor profit generally total around 20 percent.
6. Market Conditions - Xactimate allows for a built in "factor" for market conditions to be added into the unit cost database that forms the basis for all pricing in the estimate. A major loss event can cause spot market conditions due to supply and demand. Ask the adjuster if he has taken into account and allowed for any abnormal market conditions that you may experience when purchasing construction in the wake of a disaster.
7. Soft Costs - There are costs that are referred to in the industry as "soft cost," or some refer to them as "indirect costs." These categories generally include such items as the costs for hiring the architect and engineer, building permits and city fees, course of construction insurance and sometimes contractor's general liability insurance. If you do not see these items listed at the end of the estimate, ask the adjuster about it.
8. Cost Database - Xactimate runs off of a cost database that is the resource for all unit costs, labor and material costs used in the estimate. On the cover of the estimate there will be an alpha-numeric code by the heading "Price List." The code will start with the letters CA for California, then SD for San Diego and will end in a number and letter that indicate the year and quarter that the cost list is good for. For example the code 7D indicates a cost basis from the 4th quarter of 2007, and a code of 8A would indicate the 1st quarter of 2008. Ask the adjuster which price list he is using, and make sure he is not using old cost data.
9. Reasonableness of Cost - It is impractical to cover all of the aspects of determining whether the unit costs used in the estimate are reasonable. There are some construction cost guidelines

available, but they could be confusing to homeowners who are not affiliated with construction, and they are fairly expensive to purchase if you aren't in the business of using them every day. However, I would suggest that anyone intending to go "toe-to-toe" with an adjuster on their own should purchase one or two of these books and "test" the estimate. Two of my favorite books are by R.S. Means and Saylor Publications. If you are up for the challenge, they can be purchased either online or at a bookstore called That Technical Bookstore in San Diego.

Don't be afraid to challenge the adjuster and don't be afraid to ask dumb questions. No one expects you to be a professional estimator.

The outline above is presented in an effort to "level the playing field" and aid uninitiated homeowners by providing at least some level of understanding of the "game" and language used within the process. You can always hire your own "hired gun," and arm yourself with your own cost estimate. There are consulting firms out there that can be hired to prepare a detailed scope of work and cost estimate.

Some people will pay a contractor for a cost estimate, but I would caution that a contractor will have a tendency to put a number in the estimate simply because he feels good about that number. There is nothing wrong with that if the contractor is going to be the only one that will be affected by a bad number. However, if the battle turns litigious, you would be better served by having an independent consultant that knows how to produce a well backed up and credible estimate that can withstand the challenge of opposing experts.

EMPOWER YOURSELF TO STRENGTHEN YOUR NEGOTIATING POSITION

If you're handling the negotiations over competing repair/rebuild estimates with your insurance company on your own, we recommend that you spend time at the United Policyholders' website reviewing some of the many articles that relate to this topic. You'll find them in the [Claim Tips section](#) of the website.

HIRE QUALIFIED HELP WHEN YOU NEED IT

If you decide to hire professional help, please read United Policyholders' tips on [Hiring Professional Help](#) and visit the "[Find Help](#)" section of our website to locate businesses that support our work.

In summary: Educate yourself, be prepared and check over everything until you are satisfied that you have received a proper estimate.

United Policyholders thanks Ted Bumgardner of the Xpera Group for preparing this article for our readers' use, and William Hedden, of Consolidated Adjusting, Inc. for editing assistance.

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