

CLAIMS INDUSTRY REVIEW

The Future of Appraisal and the Rising Standard of Competency

Why the industry can no longer afford to treat competency as assumed.

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EXECUTIVE SUMMARY

Property and casualty insurance appraisal is undergoing its most significant transformation in decades. Driven by unprecedented catastrophe losses, accelerating judicial involvement, a deepening talent crisis, and the rise of technology-assisted estimating, the process that once served as a quiet backstop to disputed claims is becoming the primary battleground for loss resolution. This article examines the forces reshaping appraisal, the landmark decisions defining its boundaries, the talent pipeline threatening its future, and — most critically — what it now means to be a competent appraiser. A seven-pillar framework for demonstrable, defensible competency is presented as the industry standard the moment demands.

I. A Process at an Inflection Point

In property and casualty insurance, appraisal has long existed as a mechanism to resolve disputes over the amount of loss. For decades it occupied a background role in the claims process — a useful provision, occasionally invoked, but rarely central. That era is over.

The convergence of record catastrophe losses, an increasingly activist judiciary, accelerating workforce attrition, and the technical complexity of modern claims has propelled appraisal from the margins of the claims process to its center. In many markets, appraisal is already functioning as the first meaningful battleground in disputed losses — and in some jurisdictions, it is effectively replacing litigation altogether.

The implications are significant. As appraisal becomes more prominent, everything associated with it comes under greater scrutiny: the qualifications of those who conduct it, the standards by which it is evaluated, and the outcomes it produces. The industry is confronting a reality it has long deferred: the concept of appraiser competency, historically assumed rather than defined, must now be precisely articulated, consistently applied, and rigorously defended.

This article examines the forces driving that shift, the legal landscape defining appraisal's boundaries, the talent crisis threatening its future, and a seven-pillar framework for the competency standard the moment demands.

II. The Forces Reshaping Appraisal

Three converging pressures are fundamentally altering the appraisal landscape: judicial activism, catastrophic loss complexity, and a structural talent crisis. Each would be significant in isolation. Together, they represent a turning point.

2.1 Judicial Involvement: Courts Defining the Process

Courts are taking a more active role in shaping how appraisal functions than at any prior point in its history. The frequency with which appellate and supreme courts are addressing appraisal questions — regarding scope, authority, sequencing, and the interaction between appraisal and litigation — has increased markedly. Two 2024 decisions illustrate the breadth of this involvement.

In February 2024, the Florida Supreme Court issued its ruling in *American Coastal Insurance Co. v. San Marco Villas Condominium Association*, addressing one of the most contested questions in modern appraisal practice: whether appraisal must await the resolution of coverage disputes. The court held that trial courts have discretion to compel appraisal before coverage issues are resolved, effectively overriding prior appellate decisions that had required coverage questions to be settled first. Crucially, the court preserved the insurer's right to raise coverage defenses after an appraisal award is entered — maintaining the conceptual distinction between valuation and coverage while allowing the processes to proceed on parallel tracks.

The same month, the Texas Supreme Court answered a certified question from the Fifth Circuit in *Rodriguez v. Safeco Insurance Company of Indiana*. The court held that payment of an appraisal award, together with the applicable statutory interest, extinguishes the insured's right to recover attorney's fees under Chapter 542A of the Texas Insurance Code. This decision crystallizes a principle that Texas practitioners have long navigated: in the right circumstances, an insurer that invokes appraisal promptly and pays the resulting award can substantially reduce — or eliminate — its extra-contractual exposure. Appraisal, in this context, is not merely a dispute resolution tool. It is a litigation risk management strategy.

At the trial court level, a 2024 Middle District of Florida decision in *Zhou v. Westchester Surplus Lines Ins. Co.* went further still, issuing detailed appraisal orders that specified appraiser qualification criteria, prohibited contingency-based compensation, and restricted ex-parte communications between panel members. This level of judicial micro-management of the appraisal process is new — and it signals a future in which courts will increasingly define not only the boundaries of appraisal authority, but the standards by which appraisers must operate.

JUDICIAL TREND

The trajectory is clear: courts are not simply resolving appraisal disputes — they are actively shaping the process itself. Appraisers, carriers, and claims professionals who treat appraisal as an informal, loosely governed procedure do so at increasing risk.

2.2 The Catastrophe Loss Environment: Complexity at Scale

The statistical reality of modern catastrophe losses is striking. Global insured losses from natural catastrophes reached \$137 billion in 2024, according to Swiss Re — marking the fifth consecutive year that insured losses exceeded \$100 billion. Munich Re reported that weather-related events drove 97% of those losses, with hurricanes, severe convective storms, and flooding generating claims of unprecedented technical complexity.

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In the United States, the picture is particularly acute. Severe thunderstorms alone accounted for \$41 billion in insured losses in 2024, the second costliest year on record for that peril type. The first half of 2025 saw global insured losses reach \$100 billion — a figure 40% above the same period in the prior year — driven significantly by the Los Angeles wildfires, which presented appraisers and adjusters with causation challenges, total-loss valuations, and code-compliance disputes unlike anything most had previously encountered.

These are not simply large claims. They are technically demanding claims. Modern catastrophe losses routinely involve multiple concurrent causes — wind and flood, hail and pre-existing deterioration, wildfire smoke and existing property condition — that require appraisers to analyze causation with precision. They involve code and ordinance compliance

disputes that require familiarity with local building requirements. They involve functional obsolescence and economic impacts that extend beyond what any estimating platform can generate automatically.

The result is a fundamental shift in what appraisal requires. The process is no longer primarily about reconciling competing repair estimates. It is increasingly about evaluating complex factual questions that require substantive expertise — and producing conclusions that can withstand technical scrutiny.

2.3 The Talent Crisis: A Structural Threat to the Process

Behind the legal and environmental pressures reshaping appraisal lies a workforce crisis that may ultimately prove most consequential of all.

The U.S. Bureau of Labor Statistics projects that the insurance sector will lose approximately 400,000 workers through attrition in the coming years. Approximately 50% of the current insurance workforce is expected to retire within the next 15 years. The cohort of insurance professionals aged 55 and older has grown 74% over the past decade, while fewer than 25% of the current workforce is under the age of 35. University risk management and insurance programs are producing graduates at a rate estimated to meet only 10–15% of the industry's hiring needs.

A 2024 survey by the International Association of Claim Professionals found that while more than two-thirds of respondents believed claims service is becoming more important, only one-third described their organization as “very committed” to investing in claims talent. This gap — between the acknowledged importance of the function and the organizational investment in developing people to perform it — represents a structural vulnerability that will compound over time.

For appraisal specifically, the talent gap has a distinctive character. Appraisal competency is not a product of classroom instruction — it is developed through years of supervised practical experience on complex, disputed files. As experienced appraisers retire, the pool of practitioners capable of performing at the level modern claims demand contracts. The pipeline to replace them is not keeping pace.

The compounding effect of greater demand, increased complexity, and reduced supply of experienced practitioners creates the conditions for a competency crisis — one that the industry must begin addressing now, before it becomes acute.

III. The Competency Question: From Assumption to Standard

3.1 What Competency Has Historically Meant

Appraisal clauses have long required that appraisers be “competent and disinterested” — or some variation of that formulation. Courts and practitioners have devoted substantial attention to the impartiality requirement, developing an extensive body of case law examining conflicts of interest, prior relationships, and the consequences of bias. The competency requirement has received far less attention.

In practice, competency has been inferred from proxy indicators: years of experience, professional designations, familiarity with estimating software, or the simple fact of having been appointed to prior appraisals. These proxies have a surface plausibility — experience and credentials are correlated with capability — but they do not guarantee it. They do not establish whether an appraiser can analyze a loss rigorously, evaluate competing positions fairly, produce a conclusion that is logically supported, or communicate findings in a way that serves the broader claims process.

As expectations around appraisal have risen, the inadequacy of these proxies has become more apparent. An appraiser whose residential hail experience is a decade deep may be entirely unequipped to evaluate a complex commercial claim involving business interruption, code compliance, and functional obsolescence. A professional designation attests to what someone once demonstrated on an examination — not to what they can deliver on a difficult file in a contentious appraisal.

3.2 The Shift Toward Measurable Standards

The trend in judicial decisions, insurance regulation, and industry practice is toward measurable, demonstrable competency standards. The *Zhou* decision, requiring courts to evaluate appraiser qualifications as part of the appraisal order, reflects a broader expectation that competency can be articulated and assessed — not merely assumed.

This shift has several practical dimensions. Carriers increasingly scrutinize the credentials and track records of opposing appraisers before appraisal begins. Umpires evaluate the quality of competing positions in real time, and an appraiser who cannot explain their methodology or defend their conclusions in a structured dispute is at a serious disadvantage. Courts reviewing challenged awards are examining not only whether the panel exceeded its authority, but whether the panel applied appropriate analytical rigor.

In this environment, competency is becoming a performance standard — evaluated on each assignment and tested in every dispute. The industry needs a framework to define what that standard requires.

PRACTICE IMPLICATION

The era of the generalist appraiser — equally capable on any file, any peril, any property type — is ending. The complexity of modern losses demands alignment between the appraiser's specific expertise and the particular characteristics of the claim.

IV. The Seven Pillars of Appraisal Competency

A meaningful standard of competency must be comprehensive. It must address technical capability, professional judgment, process discipline, and the conduct that defines how an appraiser functions in a contested environment. The following seven pillars provide that

framework — drawn from the realities of how modern appraisal actually operates, and from the expectations that courts, carriers, and the claims process increasingly impose.

1 Relevant Experience — Alignment Between Assignment and Expertise

Competency begins before the first inspection. It begins at assignment, with the question of whether the appraiser's experience actually qualifies them to evaluate this particular loss.

Not all experience is transferable. An appraiser with deep expertise in residential storm claims brings a different skill set to a large-loss commercial property, a high-value historic structure, or a multi-site industrial claim. The knowledge domains are different, the estimating methodologies diverge, and the causation questions may be entirely unfamiliar. Accepting an assignment beyond one's genuine competency area does not advance the process — it introduces unreliable analysis where reliable analysis is required.

Competency requires the self-awareness to identify when an assignment falls outside one's expertise — and the professional integrity to say so. Appraisers who consistently operate within their genuine competency range build the track record that sophisticated parties increasingly rely on when making selection decisions. Those who do not eventually find their conclusions challenged on the basic question of whether they were qualified to reach them.

2 Technical Knowledge — Understanding What You Are Measuring

Appraisal is, at its foundation, a technical discipline. Determining the amount of loss requires understanding how property is constructed, how specific perils cause damage, what repair methods are appropriate and why, and how those methods translate into quantified cost.

Estimating software is a tool, not a competency. Platforms like Xactimate produce outputs based on inputs; they do not evaluate whether those inputs are correct, whether the repair methodology is appropriate, or whether the scope is complete. That judgment belongs to the appraiser. A competent appraiser can explain why a particular repair approach is necessary — not just reference the line item that describes it.

This distinction matters enormously in contested appraisals. When opposing positions diverge significantly, the central question is almost always methodological: which approach is correct, and why? An appraiser who can answer that question with technical precision, supported by documentation and industry standards, will consistently outperform one who cannot. Technical knowledge is not a supplement to the appraisal function — it is its core.

3 Policy and Boundary Literacy — Knowing Where Appraisal Ends

Appraisal exists because the insurance policy creates it. Its scope and authority are defined by policy language, shaped by applicable case law, and constrained by the fundamental principle that appraisers determine the amount of loss — not whether that loss is covered.

The Florida Supreme Court's 2024 *San Marco* decision illustrates this boundary precisely: even where courts compel appraisal before coverage disputes are resolved, insurers retain the right to raise coverage issues after the award. The appraisal award establishes value; coverage analysis determines what portion of that value is owed. Appraisers who blur this line — by making coverage determinations, issuing awards that purport to resolve coverage questions, or advocating for positions outside the panel's authority — create awards that are vulnerable to challenge and proceedings that lose their efficiency.

Competency in this context is a form of restraint. Knowing what the panel may address is as important as knowing how to address it. Appraisers who consistently operate within appropriate boundaries protect the integrity of the process and the validity of the outcomes it produces.

4 Analytical Rigor — Evaluating Positions, Not Splitting Differences

Appraisal is not mediation. It is not a negotiation. It is not an exercise in finding a number somewhere between two estimates. It is an analytical process with a specific objective: determining the correct amount of loss, for the correct reasons.

A competent appraiser evaluates the opposing position with the same rigor applied to their own. They identify what is supported and what is not — line by line, methodology by methodology. They recognize omissions in the opposing estimate and duplication in their own. They understand that their obligation is to arrive at an accurate conclusion, not a comfortable one.

The practical standard for this pillar is simple but demanding: every material line item and every methodological choice must be explainable. If an appraiser cannot articulate why a particular scope element is included, why a specific repair method is appropriate, or why their quantity derivations are correct, the conclusion rests on inference rather than analysis. In a contested appraisal, inference is insufficient. Rigor is required.

5

Documentation and Communication — Work That Stands Alone

An appraisal that cannot be understood by the parties who rely on it has failed at a fundamental level, regardless of the accuracy of its conclusions. The claims process depends on appraisal outputs to allocate coverage, assess causation, set reserves, and finalize payments. That dependency requires that the work product be comprehensible, organized, and complete.

A competent appraiser produces documentation that explains — without supplemental interpretation — what was observed during inspection, what methodology was applied, how quantities were derived, what the opposing position offers and where it diverges, and how the conclusion was reached. This is not merely a professional courtesy. It is a practical necessity. Awards that lack explanatory documentation are more likely to be challenged, more difficult to apply, and more vulnerable to vacatur proceedings.

Communication extends beyond the written work product. A competent appraiser can present and defend their conclusions verbally, respond to umpire questions with precision, and engage in the give-and-take of a contested process without becoming defensive or imprecise. The ability to articulate a position clearly under pressure is itself a form of competency that experience develops and poor preparation cannot substitute for.

6 Local Market Knowledge — Grounding Valuations in Reality

Cost is a local phenomenon. Labor rates, material availability, subcontractor capacity, permit and inspection requirements, and contractor margin expectations all vary by geography — often significantly. A valuation that ignores these variables is not an estimate of what repairs actually cost in the relevant market. It is an abstraction.

Recent research has identified insurance-to-value gaps exceeding 30% in many markets, driven in part by the use of generalized cost data that fails to capture local conditions. As construction costs have risen sharply in recent years and labor shortages have persisted in many regions, these gaps have widened. An appraiser who relies on default platform data without adjustment for local conditions is systematically undervaluing losses in high-cost markets — or overvaluing them in markets where the defaults run high.

Competency requires active calibration. It requires knowing what contractors in a specific market are charging, understanding which materials are subject to supply constraints, and recognizing when regional pricing conditions have moved materially from the last platform update. Local market knowledge is not a refinement of the appraisal function — it is a prerequisite to accuracy.

7 Professional Reputation — Competency Demonstrated Over Time

Competency is not established in a single assignment. It is demonstrated through a pattern of performance — how an appraiser approaches disputes over time, how conclusions are supported and communicated, how the appraiser interacts with umpires and opposing parties, and whether the work product consistently reflects the rigor and discipline the process requires.

In a field where selection decisions are made without formal credentialing requirements, reputation becomes a primary qualification signal. Parties selecting appraisers — carriers, policyholders, public adjusters, and attorneys — increasingly rely on track record, referral networks, and direct experience. An appraiser known for analytical precision, professional conduct, and defensible conclusions attracts better assignments, receives greater deference from umpires, and is less likely to face challenges to their process or their awards.

Reputation is not separable from competency. It is competency made visible and verifiable over time. Appraisers who consistently meet the seven-pillar standard build reputations that reflect it. Those who do not find that the market eventually recognizes the gap.

V. Emerging Dimensions of Competency

The seven-pillar framework reflects the current standard. But several developments on the horizon will add new dimensions to what competency requires in the years ahead.

5.1 Technology Literacy: AI, Remote Sensing, and Algorithmic Estimates

The proliferation of AI-assisted estimating, aerial imagery platforms, and remote sensing technologies is changing how damage is assessed and how estimates are generated. Tools that use satellite imagery and machine learning to produce preliminary loss estimates are moving from experimental status to routine use across both carrier and policyholder sides of disputed claims.

These technologies offer genuine efficiency advantages, and their outputs are increasingly appearing as starting points — or counterpoints — in appraisal proceedings. A competent appraiser in this environment must understand not only how to use these tools, but how to evaluate their outputs critically. What assumptions underlie the algorithm? What are its known error rates for specific peril types? How does remote-sensing resolution affect accuracy for particular damage categories? When does an aerial estimate require override by physical inspection?

Appraisers who cannot engage these questions will find themselves at a disadvantage when opposing parties challenge or rely on technology-generated estimates. Technology literacy is becoming a competency requirement, not an optional enhancement.

5.2 Climate and Causation Complexity

As climate patterns produce more frequent multi-peril events — hurricanes followed by flooding, hail storms with extreme wind, wildfire affecting regions not historically subject to that peril — the causation questions that appraisers must address become more complex. Distinguishing covered from non-covered damage in a multi-cause loss requires analytical precision that general experience alone cannot provide.

Forensic meteorology, building science, and materials engineering are increasingly relevant inputs to complex appraisal disputes. The competent appraiser of the near future will need to know when to engage these specialists, how to integrate their findings into a coherent valuation, and how to present the resulting analysis in a form that the appraisal process can act on.

5.3 Regulatory and Legislative Evolution

Following Florida's 2022 legislative reforms, several other states have considered or enacted changes to the property insurance litigation environment that directly affect the economics and strategy of appraisal. Louisiana, California, and Georgia have all seen relevant legislative activity. As state-level reform continues, the strategic calculus surrounding appraisal — when to invoke it, how to structure it, what outcomes it can produce — will shift.

Competent appraisers must maintain current awareness of the regulatory and legislative environment in the jurisdictions where they practice. The rules of the game are changing, and practitioners who are behind the curve on those changes operate with incomplete information.

FORWARD PERSPECTIVE

The competency standard of 2025 is not the competency standard of 2030. Technology, climate complexity, and regulatory evolution will add new dimensions to what it means to perform appraisal at a professional level. The framework presented here is a foundation — not a ceiling.

VI. Practical Implications for Claims Professionals

The rising standard of appraisal competency has direct implications for every participant in the claims process — not only for appraisers themselves.

6.1 For Carriers and Third-Party Administrators

Selection of appraisers should be treated as a consequential decision, not an administrative task. The appraiser selected to represent the carrier's interests is, in effect, presenting the carrier's position on value to a panel that will determine what is owed. The quality of that presentation — its technical precision, its documentation, its defensibility — directly affects outcomes.

Carrier-side appraisal programs should establish criteria for appraiser selection that go beyond designation and years of experience. They should include:

- Demonstrated expertise in the specific peril and property type at issue
- A verifiable track record of work product quality across prior assignments
- An understanding of the jurisdictional legal framework — particularly in expansive-model states like Florida and Colorado
- The ability to produce documentation that supports post-award coverage analysis
- A professional reputation that commands credibility with umpires and opposing parties

Carriers operating in multiple jurisdictions should maintain jurisdiction-specific guidance on appraisal scope, authority, and strategy — and ensure that selected appraisers are current on that guidance.

6.2 For Public Adjusters and Policyholder Representatives

The same standard applies on the policyholder side. Appraisers selected to represent insured interests must meet the same threshold of demonstrated competency. A policyholder whose appraiser cannot sustain their position analytically, produce defensible documentation, or engage at the technical level the dispute requires is disadvantaged from the outset — regardless of whether the underlying claim is meritorious.

Public adjusters and attorneys who engage appraisers on behalf of policyholders should evaluate appraiser qualifications against the seven-pillar framework with the same rigor they would apply to any expert retained in a contested proceeding.

6.3 For the Umpire Function

As appraisal panels increasingly address complex causation and scope disputes, the umpire's role has grown in significance and in difficulty. Umpires in expansive-model jurisdictions are, in effect, resolving technical disputes that in prior decades would have required litigation. The analytical demands on umpires are correspondingly greater.

The industry should invest in developing a pool of qualified umpires whose competency standards match the expanded scope of the function. Selection of umpires — a critical decision that parties and courts often approach casually — deserves the same deliberate evaluation applied to appraiser selection.

VII. Conclusion: Competency as Infrastructure

Appraisal is evolving from a background mechanism into a central feature of claims resolution — a primary forum for resolving disputed losses that would otherwise require years of litigation to address. That evolution is driven by legal, environmental, and demographic forces that are structural in nature and unlikely to reverse.

As this transition occurs, the quality of the process depends on the quality of the practitioners who conduct it. A technically rigorous, professionally disciplined appraiser who produces defensible work product is not simply a better participant in the process. They are an element of infrastructure — they make the system function as intended, reducing friction, producing reliable outcomes, and maintaining the confidence of the parties who depend on those outcomes.

The seven pillars outlined here — relevant experience, technical knowledge, policy literacy, analytical rigor, documentation and communication, local market knowledge, and professional reputation — represent the framework for that standard. They reflect not only what the market currently rewards, but what courts, carriers, and the broader claims process will increasingly require.

Competency in appraisal can no longer be assumed. It must be demonstrated — assignment by assignment, position by position, award by award. The industry that builds its appraisal practice on that foundation will be equipped for the demands ahead. The one that does not will find those demands increasingly difficult to meet.

In a process built on judgment and trust,
competency is not simply desirable — it is
the foundation on which every outcome rests.

ABOUT THE AUTHOR

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