



# ADJUSTERS FORUM

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About a year ago, I authored an article on obsolescence (*Obsolescence, Do You Have A Plan?*) and how it would affect ACV settlements or replacements of consumer electronics specifically for the insurance industry. At that time, it was assumed that the article offered insights into the future of the industry and addressed many of the major issues anticipated to be seen for years to come. As it turns out, the consumer electronics industry is evolving even more rapidly than originally anticipated and as a result, we find it necessary to revisit several of the originally discussed categories, as well as producing some “all-new” classifications.

*The category that has experienced the most sweeping change also continues to generate the highest number of enquiries regarding “like kind quality” replacement. That category is televisions. A year ago I don’t think anyone could have predicted the dramatic shifts that would take place in this category. At that time LCD and Plasma TV’s were starting to make inroads on the sales floor and the living rooms of consumers everywhere, but most people felt that existing technologies like the traditional tube TV still had a number of years left in their life cycle. Today, Plasma and LCD TV’s are no longer the technologies of tomorrow. They have attained a price point and technological acceptance, which has relegated the more traditional technologies to the backburner.*

First lets look at **Picture Tube TV’s**. Last year I speculated that the day of the picture tube TV was numbered...well that number is now up. Almost every single major manufacturer has now abandoned this category entirely. With the exception of a few retailer stores which still have limited inventory of older model name brand TV’s and the off brand products which can be found in hardware and grocery stores, the day of the tube TV is over. What does this mean from a settlement standpoint? Unless that old tube TV your assessing falls into one of the two categories cited above; replacement will mean providing your insured with a new LCD TV. Your insured will be receiving a considerable upgrade in most instances, but this is simply the only option available short of declaring the original TV obsolete, which is not a popular alternative!

When replacing with an LCD TV it is important to look at the specific model proposed for replacement. Since most manufacturers now offer three or more models in the relevant sizes, you should ensure that you are not upgrading the replacement more then necessary. The best way to accomplish this is to know what features the original TV had and what features the replacement offers. A value or “best for best” replacement will most likely not deliver the appropriate “like kind and quality” replacement.

Since the price differential between traditional tube and LCD TV’s is no longer what it once was, and will only continue to decrease, an LCD replacement may also be the path of least resistance on a difficult or contentious claim

The price of a typical brand name LCD now starts at approximately:

\$ 349.00 for a 15”  
\$ 500.00 for a 20”  
\$ 800.00 for a 26”  
\$ 1,100.00 for a 32”  
\$ 1,400.00 for a 37”

## **Rear Projection CRT TV**

Much like the tube TV, the CRT Rear Projection TV (*big screen TV*) is no longer in production. So what can you do when your insured’s big screen TV is damaged or stolen? There are a number of options to resolve this question.

*Option 1* – Replace with the same technology! Although no longer in production a few of the large chain stores still have limited inventory available from one or two manufacturers. Note that if the available models are not “like kind quality” replacements and this is quite possible since the brands and models are extremely limited, your next option should be to consider rear projection LCD or DLP TV’s. This category should be divided into two sizes, 48” and under or 50” and over.

Option 2 – 48” and under

Replacement options at this size are becoming more limited each day. With the price erosion of Plasma and LCD’s TV’s at this size, most manufacturers are now discontinuing production of the competing rear projection LCD or DLP TV’s. Like rear projection CRT TV’s some retail stores still have limited inventories of discontinued or end of line models, but this will continue to decline rapidly. If you are unable to locate a suitable replacement from the available inventories, the only other alternative is a Plasma or LCD TV. At this size your insured can be offered the choice of the two competing technologies since they offer comparable features and sell at

similar prices. While they are available, rear projection LCD and DLP models still represent your least expensive and closest “like kind quality” replacement option.

### *Option 3 – 50” and over*

Replacement of the larger sized sets is fairly straightforward... for now! While some companies have left this market, there are still a number of recognizable name brand companies making rear projection LCD or DLP TV's in this size. Rear projection LCD or DLP TV's should always be your first choice as they denote the closest “like kind and quality” replacement alternative. Plasma and LCD represent a major jump in both price and technology.

At this point you're probably starting to see a common thread; in the very near future, other than some specialty or fringe models, the only TV's available will be LCD and Plasma. This will certainly make your choices, and accordingly your decisions, much easier.

### **Random TV Facts**

- The selling price of a 6-month-old TV, in most circumstances, will have dropped by 10 to 25% depending on its brand name and features. If you settle the claim based on the original invoice, you are most likely paying too much.
- There is now no significant price differential between comparable LCD and Plasma TV's.
- The life expectancy of the latest generation LCD and Plasma TV's meets or exceeds tube TV's!
- Manufacturers regularly discontinue making a technology. A good example of this is Toshiba, who does not make a Plasma TV any longer, choosing instead to focus on LCD Technology.

### **A New Category**

**Game system** technology has made some incredible advances in the last year. First was the Xbox 360 and now the Playstation 3. While Sony continues selling the PlayStation 2, Microsoft no longer manufactures the Xbox. Despite the fact that the Xbox 360 is the natural successor for the Xbox from a marketing perspective, it is not a “like kind quality” replacement from a feature or price position. Some of the possible solutions you can explore when faced with trying to replace the Xbox are: 1) changing the gaming format to PlayStation 2 2) pricing a used system from some of the gaming stores such as EB Games or Microplay 3) utilize the selling price of the Xbox from when they were last available. Each of these options has its own potential drawbacks, but they typically represent the most equitable solution. Something to consider... when Sony ceases selling the PlayStation 2, one possible solution will no longer be available and a whole new dilemma will be created. Will you replace the \$ 129.00 PlayStation 2 with the \$ 549.00 Playstation 3, whose only resemblance to the original model is in the first name and the fact that they both play video games!

### **A Change in An Old Category**

The venerable **Turntable** is a product that has seen a quick reversal in its fortunes. In my last article I sounded the bell signifying the death of the inexpensive turntable. That situation has now turned full circle with a number of companies such as *Audio Technica*, *Denon*, *Sony*, *Nexxtech*, and others now making turntables in the \$ 100.00 to \$ 300.00 price range

### **Conclusion**

The technologies of tomorrow are being created today! This evolution will continue to produce new categories of products that may not have any direct replacement, making the adjusters job that much more difficult. How can you ensure that you provide your insured with a fair, “like kind and quality” replacement? How can you feel comfortable that the replacement is not an upgrade when this situation arises? How can you keep up with the technological advances that arrive every day?

At the rate these technologies are changing, and will continue to evolve it is difficult to stay ahead, but there are a few things that can be done to keep your head above water. First, ensure that the resources you are using have “access to the original product specifications”. There is no way to accurately determine a replacement if you don't have precise information on the original product! Second, speak to “knowledgeable professionals” with the experience to understand what features are pertinent and finally, make sure your knowledge experts also understand your criteria for a “like kind and quality” replacement. With these three simple steps you can dramatically improve your chances of satisfying your insured while controlling the final expenditure.

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