



## Case Study – Residential High End A/V Fire Damage Claim

**Claim:** The Insured, a retired recording studio engineer and admitted “audiophile”, experienced a fire in the audio/video (“A/V”) room portion of the residence. Numerous photographs of the room and contents were provided to us, along with a listing of contents that were either thermally damaged or exposed to a significant amount of particulate soot and gaseous contaminants. A large number of the contents consisted of high-end A/V equipment units including pre-amplifiers, amplifiers, speakers, digital-to-analog audio converters, audio and video receivers, specialized cabling, projectors, CD/DVD players, turntables, etc. In total, inventory of 92 thermal or smoke damaged audio/video components was submitted to the Insurer at a claimed replacement cost of \$66,886.86.

**Challenge:** A significant number of the higher end audio components were older units ranging from 15 to 25 years of age. For many of these units, the models have long been discontinued and the Insured proposed replacement with current technology equipment based upon conversations with high end audio equipment service providers and distributors. Were the proposed replacements considered Like Kind and Quality (“LKQ”) for the purpose of the claim? Were all components damaged beyond cost-effective restoration/repair? Were the submitted prices appropriate claim costs?

**Solution:** We were assigned by the insurance carrier to conduct a desk review, remote damage assessment, and LKQ analysis of the proposed replacement equipment costs in order to provide a Replacement Cost Value (“RCV”) recommendation for the claim. Telephone interviews of the Insured, numerous service providers and several of the equipment manufacturers were conducted, photographs reviewed, and LKQ costing (wholesale and retail) of the required direct replacement units were procured from independent sources. We also worked with a local audio equipment repair company to further assess the potential for cleaning and restoration of some equipment that was less exposed to heat and smoke deposition. Through an assessment of the photographs and the materials involved in the combustion event, we were able to determine that the replacement of all listed A/V was justified as a result of the event. Several items originated from manufacturers that were no longer in business. In these cases we matched these items with technically compatible current models from similar quality manufacturers. In many cases, the manufacturer no longer produced the same model number but a very similar current product at a significantly lower cost, due to the present state of technology, for the same functionality.

**Findings & Value:** Based on our assessment and analyses, we calculated the LKQ/RCV cost for the replacement of the damaged equipment to total \$46,080.97. This recommended amount was \$20,805.89 lower than claimed due to the use of current technology equipment with specifications equivalent to or better than the original components but at the least current cost.