

## **EQUIPMENT CLAIM**

## **TIMES**

**Damage Consultants**

**A Newsletter From Equipment**

*Electronics & Technology Equipment Damage and LKQ Assessment Services*

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### **What is Like Kind & Quality (LKQ) for Computers and Electronics?**

Like Kind and Quality (LKQ) for computers, cameras, audio/visual equipment, scientific instruments, telephone systems, electronic systems and components is defined as the current cost for the identical matching product of the same manufacturer, make and functionality when still currently available. However, LKQ for many electronic products is difficult to calculate because the exact configuration of the original product often is no longer available due to obsolescence, technology changes, discontinuation, mergers/bankruptcies of the manufacturer or a host of other factors. When the identical system is no longer available, LKQ is defined as the closest currently available system or component that provides the same or better functionality and quality at the least current market cost. LKQ analyses usually attempt to match the same manufacturer where possible.



For computers that are older than a few months (sometimes even weeks), this typically (but not always) means a replacement cost value that is significantly less than the original cost. The top of the line desktop or laptop computer purchased only a few years ago commonly is equivalent, from an LKQ perspective, to the most economical computer in today's market. One of the few exceptions to this trend is laptops and desktops from Apple. Apple computers (MacBook, iMac, and Mac Pro) tend to maintain fairly consistent pricing over time due to the small number of models and variations that they market.



When a computer is stolen or damaged beyond repair, the Insured often provides a replacement quote that is comparable in cost to the original unit. This is a natural tendency of both the Insured and the computer supplier to assume that "if a Cadillac was purchased yesterday then there is an entitlement to a Cadillac today". However, this is simply not the case with electronics when considering the definition of LKQ, especially with computers, due to the rapid change in technology that occurs on almost a daily basis.

So how is LKQ determined for electronics, and particularly for computers? The first step is to obtain a copy of the computer supplier purchase receipt, packing slip or on-line quote for the original computer. If the Insured cannot produce any of these documents, then at least the make and model number of the unit, along with approximate purchase date (year) must be known. The serial number for the computer may also enable the Insured to contact the computer manufacturer to obtain a copy of these records.

Once the details of the original computer are known, an LKQ replacement model (or recommended LKQ replacement cost value) with appropriate options can be determined based on the following key components of the original computer:

- The Processor make, model, speed in GHz, number of cores and front side bus (FSB) speed in MHz
- The screen size and resolution for laptops and monitors
- The technology type for monitors (CRT, flat screen, flat panel LCD, etc.)
- The amount and type of memory
- The hard drive size, type, and number
- Type of optical drive
- Video and Audio card upgrades
- \*The operating software system (OSS)
- \*Productivity software
- Additional options (extra or larger batteries or power supplies, flash drives, laptop carrying cases, etc.)

Note that the type and length of "extended warranty" plan is not included in the above list. This is because such plans are normally considered optional service agreements that are not commonly an insurable property. A future Equipment Claim Times newsletter will discuss this topic in more detail.

An example LKQ analysis may help to shed light on some of these points. Lets take the example of a "top of the line" Dell Inspiron 9200 laptop computer from 2005 that listed for \$2,829. The LKQ replacement model for this unit is the Dell Inspiron 1720 at a current cost of \$949, based on the following original and replacement system components:

	Original	New
Processor Type	Pentium M	Core 2 Duo
Model	755	T5200
FSB	400 MHz	800 MHz
Speed	2.0 GHz	1.5 GHz
Screen	17" WXGA	17" WXGA
OSS	XP Home	Vista Home Basic
Memory	512 MB	1 GB
DIMMs	2	2
Hard Drive	100 GB	120 GB
Type	SATA	SATA
Speed	5400 RPM	5400 RPM
Optical Drive	CD/DVD-RW	CD/DVD-RW
Video Card	Standard	Standard

Notice that several of the components of the recommended LKQ replacement model are actually enhancements compared to the original unit, but are considered LKQ because they are now a minimum configuration. Also note that although the LKQ computer processor speed is slower, it is still a significant enhancement over the original Pentium M due to the dual core and faster front side bus.

\*A future edition of the Equipment Claim Times will explore the unique issues associated with the licensing of OSS (such as Windows Vista) and productivity software (such as Microsoft® Office Suite).

## Welcome to our first Newsletter!

Welcome to Equipment Claims Times! This is the first of a periodic newsletter produced by Equipment Damage Consultants designed to explore topics related to property claims involving electronics, mechanical and other technology based equipment. We plan to explore a wide variety of subjects in upcoming newsletters, including impact of smoke on equipment, trends in the replacement costs of technology, software replacement issues, HVAC system condenser damages, telephone system repair vs. replacement, Point-of Sales equipment claim issues, computer server software and any topics submitted by our readers.

Please address any comments or questions on these articles via email to Mark Krzyzanowski at [mark@eqdamcon.com](mailto:mark@eqdamcon.com). Please also feel free to suggest newsletter article topics related to technology equipment and property claims.

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