

Claims Handout No. 7 - DEPRECIATION

1. There are many misconceptions about depreciation. Many claimants think that depreciation is unfair and that they should be paid replacement cost instead. Let's take a closer look.
2. Under the claims statute you are paid the actual value of an item at the time of its loss. Certainly it would not make much sense for the Air Force to pay you more than an item was worth when it was lost or destroyed beyond repair. That would put you in a better position than you were in before the incident. For example, if you owned a ten year old TV, you would not expect the Air Force to pay you for a brand new TV. Although your TV may have been working, it was still a used TV. The Air Force is only permitted to pay you for the actual value of your used item. You can then use the money to buy a similar used item, or, you can apply the money toward the cost of a newer item if you choose.
3. How is actual value determined? The actual value of an item is the current replacement cost minus depreciation, if any. Current replacement cost takes inflation and local unavailability into account. If the item costs more now than when you bought it, or is not available in the local area, you provide the current replacement price of the item where it can be found. Only then is depreciation computed.
4. How is depreciation determined? The military services have developed a joint "Depreciation Guide" which lists standard depreciation rates for virtually all categories of personal property.
5. Not all items are depreciated. Items which do not decrease in value over time are not depreciated. For example, true antiques (over 100 years old) do not depreciate. Expensive solid wood furniture such as that made of oak or walnut does not depreciate. Fine china does not depreciate.
6. As you can see, depreciation is not really unfair. The reality is that "actual value" is a fair measure of what a claimant should be paid. And the "actual value" rule in effect does pay you "replacement cost" - it's just that you have to realize that means the replacement cost of a used item.
7. Get insurance if you want full replacement cost coverage. Check with TMO or your own insurer about whether this type of coverage is available for your particular situation or move.