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Technology Corner: Are extended warranties for electronics worth it?

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How often do you hear, “Do you want to buy an extended warranty?” — quickly followed by a price quote for one to three years beyond the manufacturer’s warranty? These quotes are not based on evidence or knowledge of a particular manufacturer. They are usually based on a device category and percentage of purchase price.

For most simple items, i.e., items that are too expensive to repair such as a toaster, these are insurance contracts based on dollar value of purchase and the retailer’s likelihood of having to honor the contract with a replacement.

Example: My tabletop microwave died recently. We use the microwave constantly, so I needed an instant replacement and bought one (approximately \$100). As I was cleaning out my files, I found an extended warranty I had purchased on the failed unit, with six months before it expired.

Luckily, I still had the dead microwave in the garage.

So with sales slip in hand and dead microwave in tow, I returned to Best Buy. I got an equivalent unit (same manufacturer, same specs but newest model) and had to pay about \$6 for the difference in original prices.

Not bad, except I now had two brand new microwaves. Craigslist helped me with that problem.

I often get asked for a recommendation about what laptop to buy. My answer is usually the same: Look at your budget and the specifications you want and then think very hard about the warranty — big name brand companies are generally easier to deal with. And think hard about an extended warranty.

Why? The laptop is a very fragile device, and its portability begs component stress and invites accidental damage.

Ah, accidental — does your warranty or extended warranty cover that? Essentially, the question is this: If I drop it, drive my car over it or spill a drink on it, does the warranty cover that event?

You might wonder, “How likely is that to happen?” Let me recount two real incidents.

When my son joined the Army six years ago, he wanted a gaming laptop. I did not know such a device existed, but they do — heavy specs and a heavy machine but portable. He had his eye on a brand called Alienware (since bought by Dell), but I was worried about failure, warranty and out-of-country service. So I convinced him there was a Dell laptop with close specs, and I asked all those warranty questions of Dell.

Not only could I get accidental coverage but even in-home service! I bought the highest price offering and maximum time length I could.

In the first few years, we had two repair incidents. I waited till he was on leave at home, and the parts and repair person came onsite within two to three days each time.

The last repair was executed four months after expiry, but the call was placed and the incident opened in the last 30 days of the contract. It had been a liquid spill (My son never admitted that to me).

I estimate we had that machine almost completely rebuilt over the life of that contract, with a value in the \$1,000 to \$3,000 range. The investment was well worth it. I believe Dell still offers such a contract. Remember to ask about the scenarios covered, not just the cost and time frame.

The second, more recent incident was when my son bought his sister a laptop as a Christmas present about 18 months ago. It was \$799 at Best Buy, and the manufacturer was ASUS. He did not purchase any extended warranty.

There was no clear warranty card or statement in the box, except a pointer to their Web site. As ASUS makes a lot of components for other manufacturers, it was unclear to me if the factory warranty for their finished product was one or two years. Based on Web site research, I thought I had a two-year warranty.

And it turned out that Geek Squad at Best Buy was an authorized service center for ASUS, so I was relieved that I had a one-stop-shop. When we had a USB port failure in the first year, I took my daughter's laptop to Geek Squad, and their print-out from their system confirmed the two-year warranty. The repair was no charge, and I felt I now had a clear statement of warranty period, from an ASUS authorized service center.

I never looked too deeply at the ASUS site but have since discovered that had I gone there within the first 30 days of purchase, I could have added accidental damage coverage for one incident's worth. Sigh. Too late.

Clock forward one year: We are in the second year of ownership. Liquid spill incident. The machine is dead as a doorknob.

With cleanup, the liquid spill was not obvious from the outside, and I was not going to be quick to admit it. I waited to see if they would ask. They didn't.

But to my chagrin, I found I had an even bigger issue. Geek Squad now showed only one year on the manufacturer's warranty. I showed the earlier printout and did not win that argument. I decided I would send it in for evaluation and see if they noticed the liquid spill.

It cost me \$84.95 just for that first step.

Geek Squad gave me a repair estimate. They knew it was a liquid spill, and the keyboard and motherboard would need replacement. The parts alone would cost more than \$1,100.

Of course, I declined the repair.

I have since ordered a refurbished laptop with the same or better specs for half the price and added two years warranty beyond the 90-day period for a refurb. I could not get an accident warranty for a refurb, but I am only \$530 out of pocket.

Luckily for my daughter, disk drives are hermetically sealed, so her art and comics should be OK.

If you spill your drink on your desktop keyboard, it may even dry out and work again. If not, you can replace a keyboard for \$20. There is no vapor seal under a laptop keyboard. The motherboard is right underneath it. It would be like putting your desktop tower in the shower, with the power on.

Don't expect it to survive that experiment.

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