



Drilling Down on Power Tools

Key value drivers that influence claims costs.

By [Jonathan Place](#)

One of the reasons humans became the dominant species on the planet was through the use of tools. For as long as we've been around, humans have been searching for ways to do tasks faster and better.

The earliest known use of tools dates back 3.4 million years ago, but they obviously have come a long way since then. Previously made of sticks and stones, tools got a performance boost when they incorporated additional power sources. During the Industrial Revolution, factories employed power tools driven by water wheels or steam engines. The modern power tool we all know now was made possible by the invention of the electric motor and the electric distribution network in the 1880s.

Tool production took a hit during the Great Depression but took off during and immediately after World War II. Many of the tool companies we know today began in the 1940s and 1950s, in close proximity to the major auto manufacturers.

There are now tools to help with every conceivable task, not to mention a number of companies and brands. It can be a challenge to keep up with the current models and to understand the value drivers for each while still remembering the older brands and companies.

With this innovation and a corresponding rise in prices has come an increase in theft claims. Theft losses make up the largest percentage of commercial losses—close to 33 percent of the total tool claims made.

Who Uses What

It is important to note the distinction between different trades and the respective tools that they employ. Some trades use more hand tools than power tools. Some work regularly on job sites while others, such as cabinet makers, primarily work in a shop setting.

Each trade uses a certain set of common tools with another set of specialized ones. Specialized power tools for plumbers include power pipe cleaners, pipe locator systems, and drain cleaning

machines. Electricians typically use power tools for testing and preparing walls for wiring. For this task they may use a reciprocating saw and a drill driver. General contractors have a wide variety of tools for the various tasks they perform. Claims from general contractors can include just about anything.

Tools in a shop setting are more likely to be present in fire, electrical, and water claims. Tools employed on a job site are more likely to be affected by theft. In theft claims, it is more common to see smaller hand tools or recognizable tools being taken. Specialized power tools, such as a plumber's power pipe cleaner, are significantly less likely to be stolen.

Proximity to a job site strongly influences the number of tools that tradesmen carry with them. When job sites are close to the tradesman's headquarters, he likely will take fewer tools with him. Tradesmen typically only carry the tools that they will be using that day. However, small town handymen who do a variety of different tasks might carry all of their tools with them.

How to Price Tools

Portable power tools can be segmented into three categories: corded, cordless, and pneumatic (air) tools. Each category has its own benefits and is most common in certain types of claims. For example, a landscaper going to multiple jobs per day is more likely to have gas-powered or battery-operated tools. This is in contrast to a carpenter working in one location; he is more likely to have corded and pneumatic tools on site.

It's important to have a frame of reference around both the item and type of business. Having this information is useful not only in highlighting which items claimed may be questionable, but also in determining if a common item is missing from the claim.

Brand names are a huge component in pricing tools. Certain brands are valued more highly than others. It is almost impossible to price tools accurately given only a vague list of "drill," "nail gun," or "saw." Many insureds haven't submitted a claim before and don't realize the level of detail that claims professionals need for accurate pricing.

As for pricing individual items, drills are the No. 1 item seen in commercial tool claims. A drill is rated not only by power, but also consistency and longevity after hours of use. Key value drivers include power, torque, battery life, and weight. The brand is also important—Makita, Dewalt, and Bosch all make premium drills.

Another common tool seen in claims is a saw. Today, there is a saw for just about anything, including wood, metal, concrete, and even bone. Saws are divided into four categories: circular, reciprocating, continuous band, and chain. Reciprocating and circular saws are most common in commercial claims. Each one is portable and usually transported in easy-to-grab carrying cases. Reciprocating saws, also known as "Sawzalls," often are found on job sites and are used by just about every tradesman. Key value drivers for reciprocating saws include power, size, weight, blade size, and consistency of performance.

Portable corded tools are used in most shops, factories, and heavy-duty manufacturers. Corded tools are used where consistency, power, and longevity are a factor.

Cordless, battery-powered tools are becoming more popular. Because these tools are lighter, longer lasting, and feature batteries that charge quickly, they are gaining traction with tradesmen who prefer to travel to job sites without carrying a lot of heavy equipment.

For cordless, battery-powered tools, brand and power are key value drivers. Pricing also should include accessories or whether the tool came with either a hard- or soft-shell case. Prices can vary by \$20 to \$30 depending on differences.

Gas-powered tools are preferable when working in unpredictable weather and, for this reason, often are used in landscaping. Major value drivers for gas-powered tools are brand, model, size, and power.

Professional painters, carpenters, mechanics, and repair shops typically use pneumatic (air) tools. A key value driver for these is cubic feet per minute (CFM), which defines the power of the tool. This power output is broken down into three ratings: low, moderate, or high CFM.

Bits and Pieces

A common tool accessory seen in insurance claims is the drill bit. Just like saws, there is a different bit for almost every material. The more specialized the material, the more expensive the bit.

Another popular accessory is a lithium ion battery. These batteries have been perfected over the last decade and have become very popular. When pricing batteries, claims professionals should look to see if a matching charger was included in the claim.

There are a wide variety of accessories for pneumatic (air) tools. Typically, these depend on the job since there are so many different nozzles and adapters. Pneumatic (air) tool kits can range from having one attachment to dozens.

It's important to get good pricing on tools. The average tool priced in 2014 was overvalued by 16 percent. For theft items, we saw tools that were overvalued by about 14 percent. Perhaps surprisingly, landscaping equipment was only overvalued by about 10 percent.

The Future

It's not entirely clear where the future of power tools is headed, but one thing is for sure: improvement is not slowing down. One industry trend worth noting is that tools are getting more and more lightweight. Also, more tools that have traditionally been either air powered or corded are being switched to cordless as batteries become more powerful and efficient.

Humans have been working with tools for the past 3.4 million years, and we show no signs of stopping the refinement and improvement of them. Smart claims professionals can use these best practices as their own to better value this unique class of contents.

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