

Dangers and Limits of Drone Insurance for Engineers and Surveyors

To the business owner or licensed professional, a drone equipped with camera and sensors is a logical extension of the tool kit for their surveyors, design or marketing teams. The compact size and controlled use, and let's face it – the first generation of drones started as toys – all of these elements can trick engineers and consultants into downplaying the risks of operating drone aircraft with optics for a business purpose.

Within my consulting firms, the liability risks posed by drone survey equipment are among the least understood and most often overlooked gaps in insurance protection. What follows in this article is a review of drone aircraft liability insurance, the limitations of many policy forms, and the risk management practices firms need to consider now:

The liabilities stemming from operating drone aircraft come from a number of sources. First, there is the bodily injury or property damage that could result from the operations and failures of drone aircraft. There is also the contingent business interruption that may result from downed or damaged power or internet cables. Also, there is the opportunity for Personal Injury, reputation harm that could result from broadcasting and disseminating images without the appropriate permissions. Finally, this liability extends not only to the operator of the drone, but also to the property owner who allows the drone on premises.

When we think of construction or land development job sites, an important exclusion to drone insurance must be discussed. Drone liability policies will typically limit or exclude contractual liability, other than during the actual operations of the drone. This is a significant limitation for many, as typical Master Services Agreements (MSA) would have the expectation that the subcontractor picks up the contractual liability at the job site, including operations and completed operations. This allows the landowner to contractually share any liabilities that arise during the total run time of the project.

An Engineering firm that is providing both consulting and drone services may review the MSA and not have any problem agreeing to the General Liability requirements and extended contractual obligations. But they can fail to account for the limitations of the drone liability, and sign on the contractual line without redlining or dividing out the drone liability section from the other tenants of the policy.

Another limitation of the drone policy is the concept of naming another party as additional insured. While common in many a contractual relationship, the engineer can fail to consider that drone liability EXCLUSIVELY covers bodily injury or property damage that result from drone operations – not all the liabilities that may arise at the job site. This important limitation can leave the consultant personally on the hook for bodily injury or property damage without the benefit of insurance protection.

One of my most common takes on drone liability is DON'T DO IT! That is to say, if a consulting firm can subcontract this exposure, or possibly work with an internal source who wants to develop a drone practice as an entrepreneurial endeavor, and allow them to bear the burden of the insurance, this is a favorable position to take. Also, seek standalone drone coverage rather than endorsing your General Liability to allow for drone operations. Finally, when reviewing contracts, think of your business as two parts: an engineer/survey/consulting firm, and a drone aircraft operating firm. Read the contract twice from the perspective of each discipline.