

The Federal Aviation Administration (FAA) has determined that the number of small unmanned aircraft (UA) are growing at an exponential growth rate. The FAA has allocated \$63.4 billion for the modernization of the country's air traffic control systems in the next several years. Anyone using a "drone" (UA) for commercial or business purposes should pay careful attention to future changes. Stay current on FAA requirements as well as insurance exposures associated with the operation of these aircraft. These aircraft are being used for a variety of different functions across a wide swath of industries. They are used by sales organizations to inspect properties, fire departments to allocate resources, insurance companies to evaluate storms, and construction/engineering firms to look at building progress and site work. As these drones enter the market they create a myriad of potential liability exposures.

Some of these potential exposures include: 1- bodily injury and property damage and 2- personal injury through invasion of privacy. We all heard the story of the gentlemen in Tennessee who shot down a drone hovering in his backyard. The drone was being operated by two young men using it to take pictures and video of the homeowner's daughter who was sunbathing in the back yard. In this particular incident the drone was personally owned by one of the young men and not used for business in any way. But, what if it had been a company drone owned by your business and your employees were surveying a jobsite and noticed someone on an adjoining property? How does it impact you when that individual sues your firm because

it was your drone that was used to invade their privacy? The standard general liability policy includes coverage for “personal injury” (in this case invasion of privacy). The problem is that ALL general liability policies contain exclusionary language deleting any coverage for the operation of owned aircraft. Do you want your business assets on the line for the actions of an employee because you have no coverage?

The previous example is a little bit ambiguous in terms of how coverage would apply so, let’s move to more concrete coverage examples. There are two specific examples that highlight the potential for dramatic events leading to serious injuries. A drone recently lost power and came crashing down on a busy highway causing multiple cars to veer off the road. This event caused damage to the automobiles, the passengers and drivers, pedestrians, and of course the drone itself. As mentioned earlier, the general liability policy contains an exclusion for bodily injury and property damage resulting from the operation of aircraft. Therefore, in this case, absent any specific insurance policy to cover the operation of the aircraft, the drone operator and owner would be responsible for all the damages listed above. When you add up medical costs for injured people and the cost to repair or replace damaged property this could run into the hundreds of thousands of dollars if not more. A smaller, uninsured exposure would be the actual damage to the drone. This would also not be covered by insurance unless there existed a property policy on the drone. Another similar example occurred recently at a state fair when a drone, photographing the event crashed into a grandstand full

of fair patrons. There were injuries to a number of children and adults. This would be another example of the bodily injury and excluded under the typical general liability policy. The proliferation of drones makes it so that you can never be certain where they may be operating and by whom. The certainty is that if they are being operated by you or on your behalf you have a significant exposure to the loss of your assets.

It is clear the operation of a drone under any circumstances, creates an exposure to the assets of the owner and operator. There are very simple solutions that allow us to treat the exposures that drones create. Lets' start with the damage to the drone itself. Most of the small commercial drones are \$2,500 or less in value and can be covered by a property policy. The policies are typically going to cost \$250-\$500 and carry a \$1,000 minimum deductible. When you factor in those costs against the value of the drone you may decide to self-insure the drone and not put money into the property policy. The part you do not want to ignore or leave untreated is the liability for bodily injury and property damage to third parties. When people or their property are damaged as a result of your actions (drone operation) you can bet they are looking for someone to pay. They will have no problem finding an attorney to hold you responsible for the operation of your drone. This exposure can be treated by purchasing liability insurance policy. You can typically get such a policy with \$1,000,000 in liability limits for about \$1,000 per year. This addresses the most obvious of the drone operation exposures in

a way that will provide you with peace of mind that you have protected the assets for which you have worked hard.

There are certainly other questions that you need to ask and answer surrounding drone ownership. How will you use the drone? Who will fly the drone? What will you do to ensure the protection of the data your drone collects? You should seek out a qualified, informed risk manager to help discuss these issues with you and develop a plan for you to safely operate your drone.

The staff at Hartsfield & Nash Insurance Agency is ready and willing to help with any of your drone insurance needs. Please feel free to give our office a call at 919-556-3698. Be sure to let them know that you are part of the United Infrared program.

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