

UP, UP AND AWAY

A bird's eye view of drone insurance

Without a doubt, drones are coming to the skies near you. The Federal Aviation Administration (FAA) estimates more than one million drones were sold during the recent holiday season. Everyone from photographers and farmers to law enforcement and hobbyists are taking flight. As drones become more affordable and available, the skies are buzzing with activity. Whether for personal or commercial use, there are a number of critical insurance issues to consider ranging from personal injury and property damage to privacy concerns.

Drones are defined as remotely piloted aircraft systems and are also known as unmanned air vehicles (UAVs). According to the FAA, pilots of unmanned aircrafts have the same responsibility to fly safely as manned aircraft pilots. In addition to FAA regulations, state and municipalities may have their own laws regarding drone use. Before you take flight, first check local, state and federal laws.

At the end of 2015, regulators announced that recreational drone operators must register their aircraft. This will allow authorities to trace a drone back to an owner which means it's vital that you're in compliance with laws and regulations and have the appropriate insurance coverage. To register your unmanned aircraft system or to review the guidelines, please go to <https://registermyuas.faa.gov/>.

Drone Safety

Hobbyists have been flying model aircraft for decades. However, advances in technology allow drones to hover quietly and fly far from their pilot. According to the FAA, by 2020 there will be 30,000 small unmanned drones used for business purposes. This does not include ones used by hobbyists.

With some drones weighing up to 55 pounds, a fall from the sky can cause significant damage to property or bystanders. The FAA has issued these guidelines for drone hobbyists:

- * Don't fly higher than 400 feet and stay clear of surrounding obstacles.
- * Keep the aircraft in sight at all times.
- * Stay away from manned aircraft operations.
- * Don't fly within five miles of an airport unless you contact the airport and control tower before flying.
- * Avoid flying near people or stadiums.
- * Don't fly an aircraft that weighs more than 55 pounds.
- * Use caution when flying your unmanned aircraft.

Insurance for Private Use

Since UVAs are operated remotely, there's no risk to passengers or crew. However, drones present a significant risk to property and life on the ground in the event of an accident. Drones can crash due to faulty and inappropriate operation, mechanical defects and component failure. Losses and damages could involve bodily injury to humans and animals as well as buildings and other structures.

Obtaining insurance for your drone for personal use isn't difficult. Using a private drone as a hobby is generally covered under a homeowners insurance policy (subject to a deductible) which typically covers

radio-controlled model aircraft. This also applies to a renter's insurance policy. Look at the contents section of your policy, or talk to your agent to see if your drone will be covered if it is lost, stolen or damaged. If your drone falls onto your car, damage to your car may be covered if you have a comprehensive coverage auto policy.

A larger concern is liability for an accident caused by your drone. If your drone crashes into someone else's vehicle or a person, the accident is your responsibility. If you have a homeowners or renter's policy, generally the policy will cover liability for an accident caused by your drone. Check with your agent or insurer to verify your policy contains this important coverage.

Privacy Concerns

You may be excited to obtain a drone for your own use, but how would you feel about your neighbors owning and operating drones near your home? Privacy is a legitimate concern when it comes to drone use.

Drones are often equipped with on-board cameras and other data-collection capabilities which can pose a threat to privacy. Drones may capture private data that could be harmful or embarrassing if shared. Beyond intentional surveillance, drones may also unintentionally capture images during routine and unrelated flights. As a drone owner, remain mindful of privacy concerns. Insurers are developing policies to cover these liability exposures, so keep in touch with your insurer to make sure your use remains covered.

Commercial Drone Use

Currently, the commercial use of drones is largely restricted and operations are authorized on a case by case basis. The FAA has started regulating commercial drones with proposed rules such as requiring pilots to obtain special pilot certificates, staying away from bystanders and restrictions on when and where they can fly. The proposed rules also prohibit drone delivery of packages. Since final rules have not been implemented, they are not being enforced.

Future of Drone Insurance

Widespread use of drones—private and commercial—poses various risks, ranging from safety to privacy of individuals. Risks arising from the use of drones could best be managed by property and casualty insurers, but only once defined drone operational requirements and performance standards are in place. Complete and clear drone regulation, by the states and the FAA, is necessary before insurers can meet policyholder needs.