

# **It Pays to be Covered: Is That Drone Insured?**

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# Agenda

1. The Law of Drones

2. Is that Drone Insured?

3. Drone Insurance Market

# Key Terminology

What we are talking about today:

- UAV – Unmanned Aerial Vehicle
- UAS – Unmanned Aerial System
  - Includes: UAV, Operator, Radio Controller, Visual Spotter
- Drone – popular terminology for UAV or UAS, less precise language

What we are not talking about today:

- Aircraft
- Radio Controlled (“RC”) Aircraft
- Military Drones

# **UAV Legal Update**

## **What You Need To Know When Operating a Drone**

# Summary of FAA Regulations

- FAA Regs(14 CFR Part 107) - August 29, 2016
- The rules pertaining to small unmanned aircraft systems regulate three key areas:



# Summary of FAA Regulations – UAS Device

- UA must be registered in owner's name and marked with owner's registration number
- Owner must be a United States citizen or permanent resident of at least 13 years of age
- \$5 registration fee per owner
- Applies to UA weighing more than 0.55 pounds and less than 55 pounds. UA weighing more than 55 pounds must register as a traditional aircraft
- Foreign-registered small UA may operate under this rule if they satisfy additional requirements

# Summary of FAA Regulations – Remote Pilot Qualifications

- 16 years old and able to read, speak, write, and understand English
- Be in physical and mental condition to safely operate a small UAS
- Pass initial aeronautical knowledge exam at FAA-approved knowledge testing center
- Pass recurrent aeronautical knowledge test at 24-month intervals
- Pass Transportation and Security Administration (TSA) security screening

# Summary of FAA Regulations – Remote Pilot in Command Responsibilities

- UAS and records must be available for inspection upon request
- Reporting Requirement to FAA (10 Days): loss of consciousness or third-party property damage of \$500+
- Conduct a preflight safety inspection
- Discontinue an operation if the condition of UAS changes so that it is no longer safe to fly
- Ensure UAS is registered in compliance with regulation § 91.203(a)(2)



# Summary of FAA Regulations – Operational Rules

- Restricted Airspace (“Class G,” unless granted permission by Air Traffic Control)
- UA must **yield the right-of-way** to other aircraft.
- **Maximum groundspeed of 100 mph** (87 knots)
- **Maximum altitude of 400 feet** above ground level, unless within 400 feet of a structure
- Minimum weather **visibility of 3 miles** from control station
- All operations must be performed by or under the direct supervision of a **remote pilot in command**

# Summary of FAA Regulations – Operational Rules

- **One drone per remote pilot**
- **UA may operate in daylight only** (or twilight with anti-collision lighting)
- UA must remain in **visual line of sight** of remote pilot, person operating controls, or visual observer
- **UA cannot be operated over anyone not directly involved in the operation or in a covered structure/vehicle**
- UA cannot be operated from a moving aircraft
- **UA cannot be operated from a moving vehicle** unless in a sparsely populated area

# Summary of FAA Regulations – Operational Rules

- No careless or reckless operations permitted
- No **transportation of hazardous materials**
- No Operation by a person with a **known physical or mental condition** that would interfere with the safe operation of the device
- **No insecurely attached external loads**
- External loads may not adversely impact the flight characteristics or controllability of the aircraft.
- The transportation of property for hire is subject to additional restrictions

# Importance of FAA Drone Regulations



# Importance of FAA Drone Regulations



# Drone Law in Its Infancy

- Drones are “aircraft” and their use can be regulated by the FAA (*Huerta v. Pirker*, NTSB Order No. EA-5730, 2014)
- FAA issued \$1.9 million fine to Skypan International for unauthorized use of drones
- FAA has authority to investigate use of drones – Court enforced subpoena to father and son who built the “flying gun” and the “flying flamethrower” (*Huerta v. Haughwout*, D. Conn., 2016)
- Man shot drone flying above his home *in federally protected airspace*. Criminal charges dismissed, but “Drone Slayer” sued for destruction of property (*Boggs v. Merideth*, W. D. Kent., 2016)

# Privacy Law and the Use of Drones

- FAA does not regulate gathering of information
- State law governs – constantly updating
- Potential preemption issue, not yet litigated
- National Telecommunications Information Administration released **voluntary** best practices
  - Inform others of use
  - Avoid collecting personal information (and don't collect continuously)
  - Do not use personal data for marketing without consent

# Analyzing Available Coverage Forms



# Insurance Coverage for Unmanned Aircraft – Two Ways to Structure Coverage

1. Endorsements for First and Third Party Coverage Forms
2. Aviation and Hull Coverage
  - Manuscript
  - Specialty Market



# Summary of Coverage ISO Coverage Forms

## ■ First Party Forms

- Commercial Property Unmanned Aircraft Endorsement
  - CP 04 14 12 16
- Inland Marine Unmanned Property Form
  - IH 00 61 01 16



## ■ Third Party Forms

- Unmanned Aircraft
  - CG 24 50 06 15
- Coverage A only
  - CG 24 51 06 15
- Coverage B only
  - CG 24 52 06 15
- Exclusions
  - CG 21 09 06 15
  - CG 21 10 06 15
  - CG 21 11 06 15

**Bradley**

# First Party Coverage



# First Party Coverage – Commercial Property Form

COMMERCIAL PROPERTY  
CP 00 10 10 12

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM**

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section H. Definitions.

**A. Coverage**

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

**1. Covered Property**

Covered Property, as used in this Coverage Part, means the type of property described in this section, A.1., and limited in A.2. Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

**a. Building**, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
  - (a) Machinery; and
  - (b) Equipment;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
  - (a) Fire-extinguishing equipment;
  - (b) Outdoor furniture;
  - (c) Floor coverings; and
  - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- (5) If not covered by other insurance:
  - (a) Additions under construction, alterations and repairs to the building or structure;
  - (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

**b. Your Business Personal Property** consists of the following property located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove;
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property Of Others.

**c. Personal Property Of Others** that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater.

## 1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, **A.1.**, and limited in **A.2.** Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

**a. Building**, meaning the building or structure described in the Declarations, including:

**b. Your Business Personal Property** consists of the following property located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater:

**c. Personal Property Of Others** that is:

# First Party Coverage – Commercial Property Form

POLICY NUMBER: COMMERCIAL PROPERTY  
CP 04 14 12 16

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## LIMITED COVERAGE FOR UNMANNED AIRCRAFT (SCHEDULED AND/OR BLANKET COVERAGE)

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM  
BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM  
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM  
CAUSES OF LOSS – SPECIAL FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
EXTRA EXPENSE COVERAGE FORM

### SCHEDULE

Described Premises:		
Description Of Unmanned Aircraft Operations (does not include delivery to others):		
Limited Expansion Outside Coverage Territory (Refer to Paragraph A.2.): Yes <input type="checkbox"/> No <input type="checkbox"/>		
Damage To Unmanned Aircraft		
Scheduled Coverage Description Of Each Unmanned Aircraft	Scheduled Limit Of Insurance	Indicate Actual Cash Value (ACV) or Replacement Cost (RC)
1.	\$	
2.	\$	
3.	\$	
4.	\$	
5.	\$	

## C. Business Interruption

### 1. Business Income

If Business Income Coverage applies to the described premises and the Schedule indicates that the Business Interruption Coverage Option applies, then the following applies with respect to "unmanned aircraft operations" off the described premises:

We will pay for the actual loss of Business Income you sustain when the necessary "suspension" of your "business activities" during the "period of restoration" is caused by direct physical loss or damage to "unmanned aircraft" that are individually described or indicated as being insured on a blanket basis in the Schedule, while off the described premises as part of "unmanned aircraft operations". The loss or damage must be caused by or result from a Covered Cause of Loss.

# First Party Coverage – Inland Marine Form for Drones

## UNMANNED AIRCRAFT PROPERTY AND CARGO COVERAGE FORM

Various provisions in this Policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this Policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section J. Definitions.

### A. Coverage

#### 1. Covered Property – Unmanned Aircraft

We will pay for direct physical loss of or damage to the following Covered Property from any of the Covered Causes of Loss:

"Unmanned aircraft" owned by you, or rented or leased to you if you have a contractual responsibility to insure, that are described in the Declarations. However, if loss or damage occurs while such "unmanned aircraft" are in flight, in preparation for flight or being transported to or from the launch or landing site, coverage applies only if such use is part of "unmanned aircraft operations".

Coverage for such "unmanned aircraft" includes:

- Equipment used with such "unmanned aircraft" provided such equipment is essential for operation of the "unmanned aircraft" or for executing "unmanned aircraft operations"; and
- Data generated as part of "unmanned aircraft operations" and the electronic media on which such data is processed, recorded or stored, such as software, films, tapes, discs, drums or cells.

#### 2. Covered Property – Cargo Owned By You

We will pay for direct physical loss of or damage to the following Covered Property from any of the Covered Causes of Loss:

Cargo owned by you and described in the Declarations, when carried by "unmanned aircraft" described in the Declarations, as part of "unmanned aircraft operations". We cover loss or damage to such cargo while in transit from the time such "unmanned aircraft" leaves the premises where the shipment begins until such "unmanned aircraft" arrives at its destination.

#### 3. Covered Property – Cargo In Your Care, Custody Or Control

We will pay those sums that you become legally obligated to pay for direct physical loss or damage to the following Covered Property by a Covered Cause of Loss:

Property of others as described in the Declarations that you have accepted for transportation by "unmanned aircraft" described in the Declarations, as part of "unmanned aircraft operations" in your capacity as a carrier-for-hire under a shipping receipt or manifest issued by you.

We only cover such cargo while in your custody as the carrier, until the property is delivered to its destination or, if the cargo is not delivered, until it is returned to its owner. However, we do not cover:

- Import shipments until discharged from the import conveyance or until Ocean Marine Insurance ceases, whichever occurs last; or
- Export shipments after placed on the outbound conveyance or when Ocean Marine Insurance applies to the shipment, whichever occurs first.

### A. Coverage

#### 1. Covered Property – Unmanned Aircraft

We will pay for direct physical loss of or damage to the following Covered Property from any of the Covered Causes of Loss:

"Unmanned aircraft" owned by you, or rented or leased to you if you have a contractual responsibility to insure, that are described in the Declarations. However, if loss or damage occurs while such "unmanned aircraft" are in flight, in preparation for flight or being transported to or from the launch or landing site, coverage applies only if such use is part of "unmanned aircraft operations".

#### 2. Covered Property – Cargo Owned By You

We will pay for direct physical loss of or damage to the following Covered Property from any of the Covered Causes of Loss:

Cargo owned by you and described in the Declarations, when carried by "unmanned aircraft" described in the Declarations, as part of "unmanned aircraft operations". We cover loss or damage to such cargo while in transit from the time such "unmanned aircraft" leaves the premises where the shipment begins until such "unmanned aircraft" arrives at its destination.

#### 3. Covered Property – Cargo In Your Care, Custody Or Control

We will pay those sums that you become legally obligated to pay for direct physical loss or damage to the following Covered Property by a Covered Cause of Loss:

# Third Party Coverage





# CGL Form Exclusion – Ambiguous Exclusion for “Aircraft”

COMMERCIAL GENERAL LIABILITY  
CG 00 01 04 13

## COMMERCIAL GENERAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words “you” and “your” refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words “we”, “us” and “our” refer to the company providing this insurance.

The word “insured” means any person or organization qualifying as such under Section II – Who Is An Insured.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

### SECTION I – COVERAGES

#### COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

##### 1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of “bodily injury” or “property damage” to which this insurance applies. We will have the right and duty to defend the insured against any “suit” seeking those damages. However, we will have no duty to defend the insured against any “suit” seeking damages for “bodily injury” or “property damage” to which this insurance does not apply. We may, at our discretion, investigate any “occurrence” and settle any claim or “suit” that may result. But:

(1) The amount we will pay for damages is limited as described in Section III – Limits Of Insurance; and

(2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

b. This insurance applies to “bodily injury” and “property damage” only if:

(1) The “bodily injury” or “property damage” is caused by an “occurrence” that takes place in the “coverage territory”;

(2) The “bodily injury” or “property damage” occurs during the policy period; and

(3) Prior to the policy period, no insured listed under Paragraph 1. of Section II – Who Is An Insured and no “employee” authorized by you to give or receive notice of an “occurrence” or claim, knew that the “bodily injury” or “property damage” had occurred, in whole or in part. If such a listed insured or authorized “employee” knew, prior to the policy period, that the “bodily injury” or “property damage” occurred, then any continuation, change or resumption of such “bodily injury” or “property damage” during or after the policy period will be deemed to have been known prior to the policy period.

c. “Bodily injury” or “property damage” which occurs during the policy period and was not, prior to the policy period, known to have occurred by any insured listed under Paragraph 1. of Section II – Who Is An Insured or any “employee” authorized by you to give or receive notice of an “occurrence” or claim, includes any continuation, change or resumption of that “bodily injury” or “property damage” after the end of the policy period.

d. “Bodily injury” or “property damage” will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph 1. of Section II – Who Is An Insured or any “employee” authorized by you to give or receive notice of an “occurrence” or claim:

(1) Reports all, or any part, of the “bodily injury” or “property damage” to us or any other insurer;

(2) Receives a written or verbal demand or claim for damages because of the “bodily injury” or “property damage”; or

(3) Becomes aware by any other means that “bodily injury” or “property damage” has occurred or has begun to occur.

e. Damages because of “bodily injury” include damages claimed by any person or organization for care, loss of services or death resulting at any time from the “bodily injury”.

### g. Aircraft, Auto Or Watercraft

“Bodily injury” or “property damage” arising out of the ownership, maintenance, use or entrustment to others of any aircraft, “auto” or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and “loading or unloading”.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the “occurrence” which caused the “bodily injury” or “property damage” involved the ownership, maintenance, use or entrustment to others of any aircraft, “auto” or watercraft that is owned or operated by or rented or loaned to any insured.

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Less than 26 feet long; and
  - (b) Not being used to carry persons or property for a charge;
- (3) Parking an “auto” on, or on the ways next to, premises you own or rent, provided the “auto” is not owned by or rented or loaned to you or the insured;
- (4) Liability assumed under any “insured contract” for the ownership, maintenance or use of aircraft or watercraft; or



# Unmanned Aircraft Exclusion Endorsement

COMMERCIAL GENERAL LIABILITY  
CG 21 09 06 15

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## EXCLUSION – UNMANNED AIRCRAFT

This endorsement modifies insurance provided under the following:

### 2. Exclusions

This insurance does not apply to:

#### g. Aircraft, Auto Or Watercraft

##### (1) Unmanned Aircraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft". Use includes operation and "loading or unloading".

This Paragraph g.(1) applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft".

(e) "Bodily injury" or "property damage" arising out of:

(i) The operation of machinery or equipment that is attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the offense which caused the "personal and advertising injury" involved the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft".

This exclusion does not apply to:

#### C. The following definition is added to the Definitions section:

"Unmanned aircraft" means an aircraft that is not:

1. Designed;
2. Manufactured; or
3. Modified after manufacture;

to be controlled directly by a person from within or on the aircraft.

# Unmanned Aircraft Endorsement

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY  
CG 24 50 06 15

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## LIMITED COVERAGE FOR DESIGNATED UNMANNED AIRCRAFT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

### SCHEDULE

Description Of Unmanned Aircraft
Description Of Operation(s) Or Project(s)
Limit Of Insurance
Unmanned Aircraft Liability Aggregate Limit: \$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Exclusion 2.g. Aircraft, Auto Or Watercraft under Section 1 – Coverage A – Bodily Injury And Property Damage Liability is replaced by the following:

#### 2. Exclusions

This insurance does not apply to:

##### g. Aircraft, Auto Or Watercraft

###### (1) Unmanned Aircraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft". Use includes operation and "loading or unloading".

This Paragraph g.(1) applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft".

This Paragraph g.(1) does not apply to "unmanned aircraft" described in the Schedule, but only with respect to the operation(s) or project(s) described in the Schedule.

- Coverage A: Bodily Injury and Property Damage
- Coverage B: Personal and Advertising Injury
- Can purchase coverages separately

# Unmanned Aircraft Endorsement – CGL

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY  
CG 24 50 06 15

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## LIMITED COVERAGE FOR DESIGNATED UNMANNED AIRCRAFT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

### SCHEDULE

Description Of Unmanned Aircraft
Description Of Operation(s) Or Project(s)
Limit Of Insurance

Unmanned Aircraft Liability Aggregate Limit: \$

Information required to complete this Schedule, if not shown above, will be shown on the back of this endorsement.

A. Exclusion 2.g. Aircraft, Auto Or Watercraft under Section 1 – Coverage A – Bodily Injury And Property Damage Liability is replaced by the following:

#### 2. Exclusions

This insurance does not apply to:

#### g. Aircraft, Auto Or Watercraft

##### (1) Unmanned Aircraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft that is an "unmanned aircraft". Use includes operation and "loading or unloading".

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D. The following definition is added to the **Definitions** section:

"Unmanned aircraft" means an aircraft that is not:

1. Designed;
2. Manufactured; or
3. Modified after manufacture;

to be controlled directly by a person from within or on the aircraft.

- Definition of “Unmanned Aircraft” differs from FAA definition
- No weight restriction
- Defining Question: Can pilot be on the aircraft?

# Unmanned Aircraft Endorsement – CGL

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY  
CG 24 50 06 15

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## LIMITED COVERAGE FOR DESIGNATED UNMANNED AIRCRAFT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

### SCHEDULE

Description Of Unmanned Aircraft
Description Of Operation(s) Or Project(s)

Unmanned Aircraft Liabil  
Information required to cor

A. Exclusion 2.g. Aircraft,  
Section 1 – Coverage  
Property Damage Lie  
following:

#### 2. Exclusions

This insurance does

g. Aircraft, Auto O

(1) Unmanned A

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"unmanned  
operation and

This Paragraph **g.(1)** does not apply to "unmanned aircraft" described in the Schedule, but only with respect to the operation(s) or project(s) described in the Schedule.

- Scheduled Coverage
- Must list specific unmanned aircraft covered by endorsement

## POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY  
CG 24 50 06 15

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

## SCHEDULE F

Unmanned Aircraft Liability Agg Information required to complete ti	Description Of Unmanned Aircraft
This Paragraph "unmanned air	Description Of Operation(s) Or Project(s)

- A. Exclusion 2.g. Aircraft, Auto &**  
**Section I – Coverage A – I**  
**Property Damage Liability i**  
**following:**

## 2. Exclusions

This insurance does not apply to:

g. Aircraft, Auto Or Water

(1) Unmanned Aircraft

"Bodily injury" or "arising out of maintenance, use or others of any air "unmanned aircraft operation and "loadin

- Must describe intended use
- Coverage is limited to purposes described

This Paragraph **g.(1)** does not apply to "unmanned aircraft" described in the Schedule, but only with respect to the operation(s) or project(s) described in the Schedule.

GLOBAL AEROSPACE



## **Overview of UAV Insurance Market**

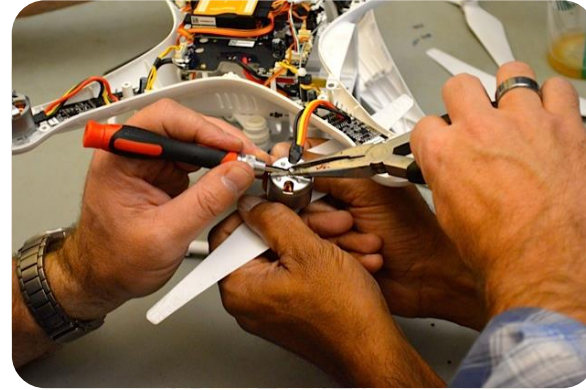




# Risk management



# Risk management





And, of course.....

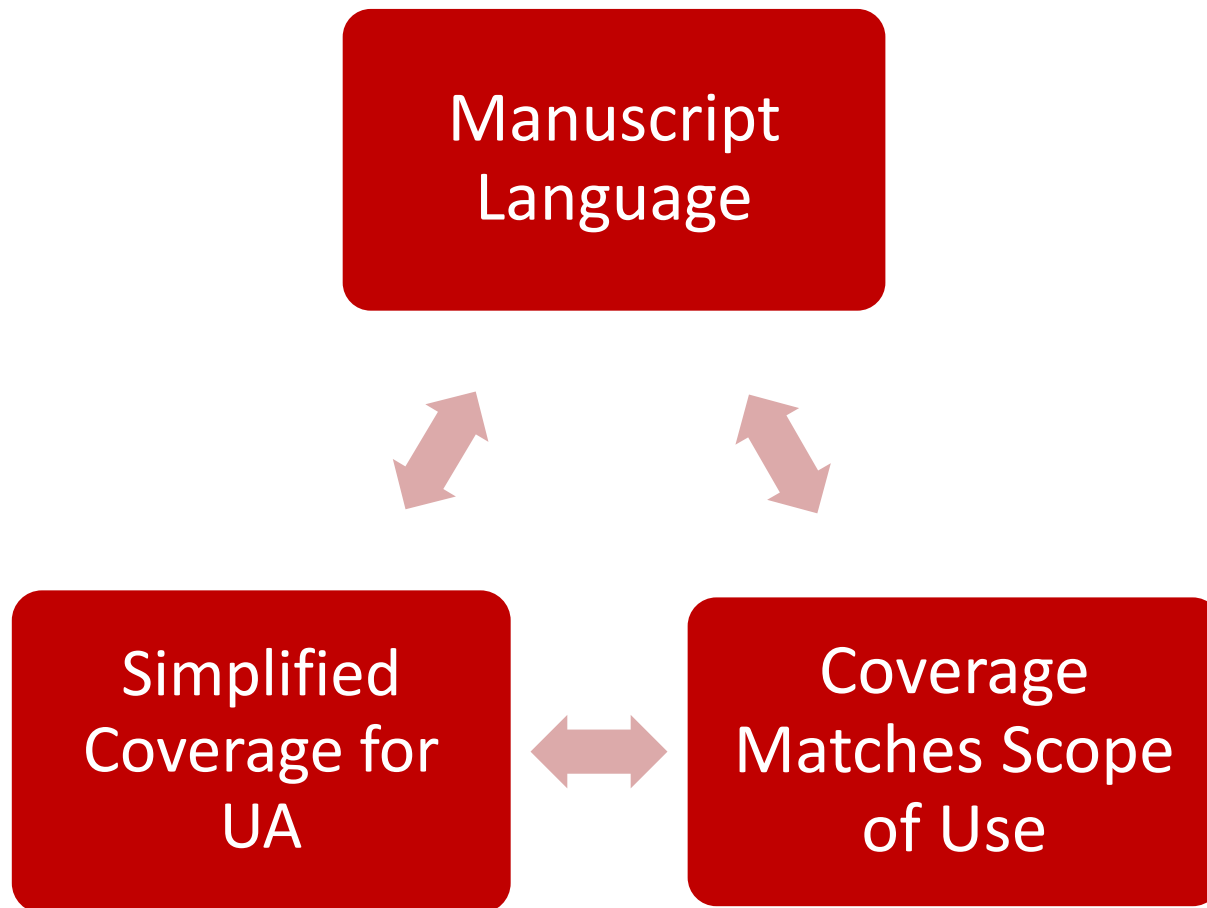


# Insurance Coverage Options

- **Insurance Service Office (ISO) have developed endorsements to extend General Liability policies to include drones**
- **ISO provides standardized language by endorsement**
- **Specialist Aviation Insurers have:**
  - **Specific policy forms**
  - **Dedicated loss adjusters**
  - **Loss control services**



## Specialty Market Coverage for Drones



## Specialty Market Coverage for Drones Liability Coverage

### PART 1 – LIABILITY

#### COVERAGE A - BODILY INJURY AND PROPERTY DAMAGE LIABILITY

##### 1. Insuring Agreement.

- (a) We will pay those sums that the insured becomes legally obligated to pay as damages because of *bodily injury* or *property damage* that occurs during the policy period and is

### 1. Insuring Agreement.

- (a) We will pay those sums that the insured becomes legally obligated to pay as damages because of *bodily injury* or *property damage* that occurs during the policy period and is caused by an *occurrence* that takes place in the *coverage territory* arising out of the ownership, maintenance, or use of a *scheduled aircraft*.
  - (b) Our obligation to pay damages on behalf of any insured applies only to the amount of damages in excess of any deductible amounts stated in this policy. The terms of this insurance apply irrespective of the application of the deductible amount. We may pay any part or the entire deductible amount to effect settlement of any claim or *suit* and, upon notification that we have made any such payment, the first Named Insured shall promptly reimburse us for any deductible amount we paid.
  - (c) No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for in SUPPLEMENTARY PAYMENTS below.

## Specialty Market Coverage for Drones Property Coverage

### PART 2 – PHYSICAL DAMAGE

#### COVERAGE B - PHYSICAL DAMAGE TO SCHEDULED AIRCRAFT

1. **Insuring Agreement.**

We will pay for *physical damage* to the *scheduled aircraft* sustained anywhere in the *coverage territory* during the policy period. But, the amount we will pay for *physical damage* to the *scheduled aircraft* is limited as described in SECTION IV - LIMITS OF INSURANCE.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for in Conditions below.

## Specialty Market Coverage for Drones

### Optional Coverages

***Personal and advertising injury*** means injury, including consequential ***bodily injury***, arising out of one or more of the following offenses:

- (a) False arrest, detention or imprisonment;
- (b) Malicious prosecution;
- (c) The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
- (d) Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- (e) Oral or written publication, in any manner, of material that violates a person's right of privacy;
- (f) The use of another's advertising idea in your ***advertisement***; or
- (g) Infringing upon another's copyright, trade dress or slogan in your ***advertisement***.

## Specialty Market Coverage for Drones

### Optional Coverages

#### PAYLOAD PHYSICAL DAMAGE COVERAGE

In consideration of the premium, it is agreed that COVERAGE B is extended to apply to *physical damage* to *payload* described in the below Schedule sustained anywhere in the coverage territory during the policy period, which you own or for which you are legally responsible, provided that the *payload* is:

- (a) installed on a *scheduled aircraft*,
- (b) being transported for use on a *scheduled aircraft*, or
- (c) being stored for use on a *scheduled aircraft* provided it is not used for any other purpose.

This insurance is subject to the following provisions which are applicable only to the insurance afforded by this endorsement and which shall be in addition to all other applicable provisions not amended in this endorsement:

## Specialty Market Coverage for Drones

### Optional Coverages

#### PREMISES COVERAGE

1. In consideration of the premium, it is agreed that the COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY Insuring Agreement is deleted and replaced with the following:

1. **Insuring Agreement.**

- (a) We will pay those sums that the insured becomes legally obligated to pay as damages because of *bodily injury* or *property damage* that occurs during the policy period and is caused by an *occurrence* that takes place in the *coverage territory* arising out of the ownership, maintenance, or use of a *scheduled aircraft* or the *premises hazard*.

We will have the right and duty to defend the insured against any *suit* seeking those damages. However, we will have no duty to defend the insured against any *suit* seeking damages for *bodily injury* or *property damage* to which this insurance does not apply or when this insurance is excess. We may, at our discretion, investigate any *occurrence* and settle any claim or *suit* that may result. But, the amount we will pay for damages is limited as described in SECTION IV - LIMITS OF INSURANCE. Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under COVERAGE A.

- (b) Our obligation to pay damages on behalf of any insured applies only to the amount of damages in excess of any deductible amounts stated in this policy. The terms of this insurance apply irrespective of the application of the deductible amount. We may pay any part or the entire deductible amount to effect settlement of any claim or *suit* and, upon notification that we have made any such payment, the first Named Insured shall promptly reimburse us for any deductible amount we paid.
  - (c) No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for in SUPPLEMENTARY PAYMENTS under COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY.



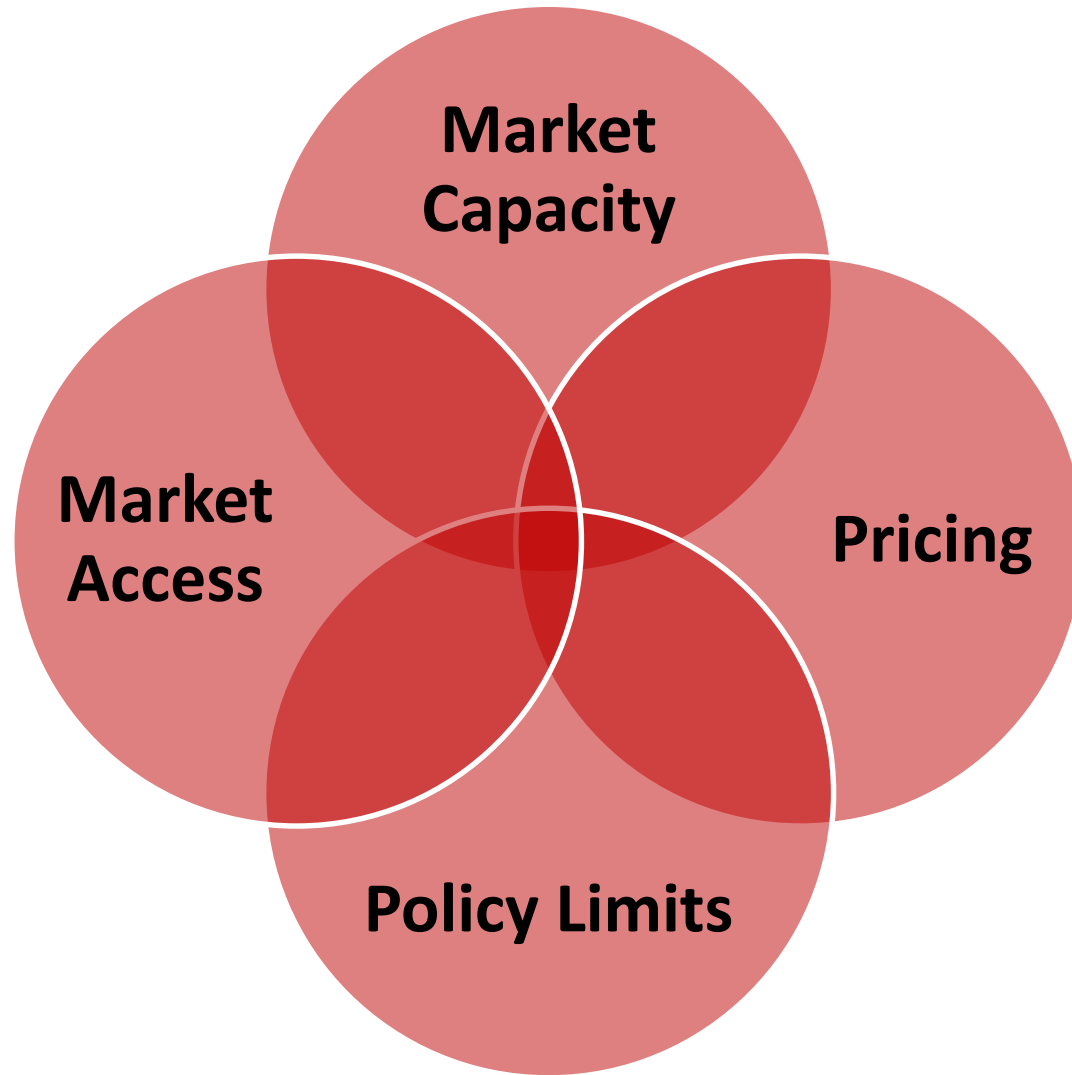
## **Specialty Market Coverage for Drones Optional Coverages and Other Benefits**

- **Personal and Advertising Injury**
- **War writeback**
- **Medical expenses**
- **Product liability arising from sale of aircraft**
- **Non-owned liability**
- **Contractual liability**
- **Specialist claims management**
- **Certificate of insurance**

## Underwriting Considerations



## Drone Insurance – Market Overview



# Take-Aways



- Comply with FAA Regulations to reduce risk and ensure viability of unmanned aircraft program
- Coverage is available as endorsements to your existing first and third party coverages, but you must properly schedule unmanned aircraft and describe usage
- Specialty market coverage offers advantages over traditional coverage, but consult with appropriate professionals to ensure coverage is proper for your company

# Questions?

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**Bradley**

Please contact Morgan Geary,  
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BABCO blog, newsletters and alerts. By  
signing up for our newsletters, you'll also be  
invited to special events and seminars of  
note to your expertise.