



Dan Knise Talks Drone Coverage Options, Risks, and Trends

Dan Knise is president and CEO of Ames & Gough, a specialty insurance brokerage and risk consulting firm. A widely respected expert in construction risk management issues, he works with several of the firm's larger design and law firm clients and assists project owners with risk management, insurance, and surety issues. He joined Ames & Gough in 2005 after serving in a number of senior leadership roles in risk and insurance services, construction, and other sectors.

As more and more engineers and architects utilize drones, what are some of the key insurance questions that need to be addressed?

There's no question that the use of drones is becoming far more widespread by design firms across the country. Whether an A/E firm decides to operate its own drone or use an outsourced service, it needs to make sure it has protection from potential liabilities associated with drone use. In an outsourcing situation, the design firm needs to stipulate contractually that the drone operator has appropriate insurance coverage in place and that the coverage is structured to provide protection for the design firm as well. This would include requiring the drone operator to carry liability insurance and add the design firm as an additional insured, and that the insurance policy include a waiver of subrogation in favor of the design firm. The drone operator should also provide a certificate of insurance evidencing coverage and these two important coverage extensions.

A/E firms that choose to operate their own drones need to make sure they have the required FAA licensing and registration, which is a prerequisite to obtaining insurance. They can get insurance coverage either under extensions to their commercial general liability (CGL) policy or by purchasing a standalone drone insurance policy. They should also make sure they have coverage for any privacy-related exposure that might arise as a result of drone use. It is likely the design firm will also be contractually required to provide their clients with additional insured status and a waiver of subrogation, both of which should be negotiated with the drone insurer/CGL insurer up front.

Does professional liability insurance coverage have a place in drone use coverage?

Design firms also face exposures for professional liability claims arising from use of drones (e.g., inaccurate measurements or incomplete building surveys utilizing a drone). It is important that their professional liability insurance (PLI) cover such claims. Most PLI insurers have no exclusion for drone or aviation exposures. There are a few such insurers, those that offer a combined professional liability and pollution liability policy, that include a form of aviation exclusion in their policy form. Our experience is that, despite this wording, the intent of these PLI insurers is to prevent pollution claims arising from use of aircraft or drones, but there is no intent to prevent coverage for professional claims arising from the use of drones. In any event, it is worth checking your policy and asking your broker and insurer to clarify how coverage will apply.

What insurance coverage gaps are associated with drone use?

While most design firm leaders focus on professional liability exposures, there is still a significant coverage gap that exists when a design firm operates its own drone. For example, what happens if the drone, during flight operations, crashes and causes bodily injury or property damage to a third-party (adjacent property owner, worker on the job site, driver on a local highway, etc.)? While bodily injury and property damage (along with economic loss) are covered under a PLI policy, the intent is for coverage to apply if such losses occur in the course of performing a professional service. Most insurers will argue that the act of controlling the drone is

not a professional service and, therefore, there would be no coverage under the PLI policy for such claims.

What is the solution to closing a possible coverage gap?

In most situations, the solution for this exposure is to take one of two additional action steps:

- Add coverage for use of a drone by endorsement to the design firm's Commercial General Liability (CGL) policy; or
- Purchase a standalone drone liability policy.

Can you walk through these two solutions?

If adding coverage to the CGL policy, keep in mind the standard CGL policy includes an exclusion for aviation exposures (including use of drones). The good news is that CGL insurers who typically write coverage for design firms will offer a drone endorsement, provided the insured fills out a questionnaire regarding the number of pilots, intended use, etc. There is often an additional annual premium of \$500-1500 depending on these variables. Importantly, these CGL endorsements typically will also extend coverage to so-called "personal injury," which can be important if someone on the ground sues the design firm for breach of privacy. The coverage however typically does not provide any protection for damage to the drone itself (so-called hull coverage) nor does coverage extend on up to the umbrella/excess liability policy. This means that most design firms going this route of adding coverage to the CGL policy will only have \$1 million of liability coverage for use of a drone.

Many firms have instead opted to purchase standalone drone coverage from the aviation insurance marketplace. This coverage runs about \$1,000-1,200 for a \$1 million policy limit, and hull coverage for damage to the drone and its payload can be added for around \$200 for each drone depending on the value of the hull/payload. Higher liability limits of \$5 million or more are available at a cost. It is important to note that many of the standalone policies do not offer the personal injury coverage (i.e., invasion of privacy). It is also important to confirm that they will include, if requested, additional insureds and provide a waiver of subrogation (as mentioned earlier).

