

Insurance for Commercial UAS Operations

Demystifying UAS Insurance Coverage



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Where to Start

When first starting out as a commercial UAV operator, many business owners and pilots do not know where to begin to locate an insurance provider. Many “standard” insurance companies do not insure, and may specifically exclude, UAS from their policies. In order to properly insure your commercial UAV operations, the best organizations to contact are aviation specific insurance companies. Aviation specific insurance companies use brokers to quote, sell, and service their policies. So, the first step in obtaining commercial UAV insurance is to contact an aviation specific insurance broker. A new commercial operator may be tempted to use a broker that they already have a relationship with such as their homeowner’s, auto, or business insurance brokers. However, these types of brokers are generally not very well versed on the complexities of aviation insurance. Furthermore, they are probably not going to be appointed with any aviation insurance companies. This is not an insult to non-aviation insurance brokers, they specialize in insurance coverage that is typically not applicable to aviation. Also, it is notoriously difficult to for agents/brokers to get appointed with aviation insurance companies. Even if an operator can find a non-aviation insurance broker that can obtain a quote from an aviation specific insurance company, they will most likely have to contact an aviation specific insurance broker to quote, sell, and service the policy. This leads to a “too many cooks in the kitchen” scenario contributing to mistakes, longer wait times (on changes, Certificates of Insurance, and answers to questions), and an overall in-efficient insurance program. After a trustworthy broker is found, they will locate the best aviation insurance company for any given specific operation based on desired coverage, geographical area of operations, uses of the UAVs, and premium.

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Types of Coverage

Note: Coverage varies widely from company to company. This is a general outline of coverage.

I. Liability

In aviation insurance, the base policy is liability only. This coverage must be purchased prior to adding any other type of coverage. Think about it like the foundation of the UAS insurance policy. This coverage will protect the business from Property Damage and Bodily Injury claims that may arise through the commercial operation of UAS. Typically, liability limits start at \$500,000 and usually can be negotiated to as high as is required by the business and its clients (limits as high as \$10,000,000 per occurrence are not unheard of in UAS insurance). However, each company may or may not offer you certain limits based on their underwriting criteria. It is often argued that liability is the biggest concern of any business, especially one that operates aircraft.

II. Hull

Generally, the next coverage to consider after liability is “hull” coverage. Hull coverage’s purpose is protecting the business from the financial cost from any Physical Damage that may occur to its UAV(s). Typically, this coverage is quoted on an “Agreed Value” basis. The business owner, their broker, and the insurance company will agree upon a value and quote the UAV based on that valuation. However, it is very important to make sure that the UAS’ value is accurate. If a UAV was purchased in early 2015 for \$1,500, the market value is most likely not the same at the beginning of 2017. Not keeping up with the declining value of UAVs will lead to overpaying for insurance, problems in the claims process, and overall dissatisfaction with the insurance carrier. If your UAV is totaled, the insurance company will cut you a check for the insured value of the UAV minus any applicable deductibles (deductibles on a UAV policy are usually between 5% and 10% of the insured value of the aircraft depending on the insurance policy). However, some companies will adjust the value of the aircraft to reflect the current market price (example: you cannot insure a DJI Phantom 3 for \$6,000 and expect to get that amount in the event of a claim). This is another reason why it is important to have the stated value be in line with the current market price of your UAV.

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III. Payload

Depending on the type of UAS that is operated, another option to consider is payload coverage. If a business owns multiple cameras or sensors, that are designed to be carried by a UAV, payload coverage is very important. This coverage is similar to the above Hull coverage, except it is specifically designed for payload equipment. This coverage is designed to protect the insured from any Physical Damage losses to a scheduled payload. Again, a similar deductible of between 5% and 10% of the insured value of the equipment will be applied to payload items. For this type of coverage, an insured does not simply want to “lump” the value of the payload in with the hull coverage on the UAV. These items should be scheduled separately. Just like the hull coverage, it is important to accurately insure the value of the payload. An example of how the scheduling should look on the quote/binder/policy is provided below.

Aircraft Schedule

2017 DJI Inspire 2 – S/N ODDX091356F9 - \$3,000 (Insured Value)

2017 DJI Zenmuse X5S – S/N ODDP4987321 - \$1,899 (Insured Value)

2017 DJI Zenmuse X5R – S/N ODDF2345697 - \$3,199 (Insured Value)

IV. Ground Equipment

Ground equipment such as dedicated ground stations, laptops, tablets, UAV cases, remote controllers, and other items associated with an insured UAV can be added to insurance policies. Similar rates and deductibles to the hull and payload coverage should apply to the ground equipment.

V. Non-Owned Coverage

There are a few types of Non-Owned coverage that can be added to a UAV insurance policy. Non-Owned coverage is crucial for companies that fly UAVs or payloads that are not owned by the policy holder.

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- A. The first is Non-Owned UAV Liability coverage. This coverage is designed for a business that operates UAVs that are not owned, or leased for a significant amount of time, by the Named Insured. Non-Owned UAV Liability coverage will protect the business from any claims of Property Damage or Bodily Injury that may arise from their use of a Non-Owned UAV (but not physical damage to the non-owned UAV itself). If Non-Owned UAV Liability coverage is added to a policy, it typically follows the liability limit of the owned aircraft. If a business is ever asked to operate a UAV that is owned by someone else, Non-Owned Liability coverage is something for them to consider.
- B. A second Non-Owned UAV coverage to consider is Non-Owned UAV Hull coverage. This coverage, just like the “owned” Hull coverage, is coverage for Physical Damage to the non-owned UAV(s) operated by the Named Insured. The Named Insured generally selects a limit for this coverage. So, if a Named Insured generally operates a 2017 DJI Inspire 2, equipped with a DJI Zenmuse X5S Camera, that is not owned by that Named Insured, they should consider adding Non-Owned Hull coverage in the amount of \$4,899 (\$3,000 for the Inspire 2 and \$1,899 for the DJI Zenmuse X5S).
- C. A third Non-Owned coverage to consider is Non-Owned Payload coverage. Again, this coverage works in a similar fashion to the “owned” Payload and Non-Owned Hull coverage described above. If a Named Insured operates an Owned 2016 Freefly Alta, and commonly carries RED cinematic cameras owned by the production companies that hire them, Non-Owned Payload coverage is a must (these cameras, equipped with certain lenses, can sometimes be valued around \$100,000!). Or, if a Named Insured preforms aerial inspections, using expensive sensors not owned by that Named Insured, Non-Owned Payload coverage is, again, crucial. Some insurance companies add this coverage on a case by case basis. In that situation, the Named Insured will Other companies allow you to set a coverage limit and add a “blanket” endorsement to the policy.

VI. Personal Injury

Personal Injury coverage is a relatively new offering in the UAV insurance world. This type of coverage is for libel, slander, violation of privacy, and copyright infringement. The most important portion of this coverage is the violation of privacy language. With

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the negative portrayal of UAS in the media, and the population's irrational fear of flying cameras, it is a good idea to consider this type of coverage.

Looking Forward

As we all know, the regulations, technology, and business needs of the commercial UAV industry are rapidly evolving. As the insurance providers modify their offerings to keep pace with these changes, keep an eye out for new types of UAV insurance coverage. However, aviation insurance companies are not mind-readers. So, if you have a unique, out of the ordinary use for your UAV, please inform your aviation insurance broker. If a coverage does not exist for your desired use, your insurance carrier may be able to design, or specifically negotiate, a policy that will fit your needs.

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About the Author

Joe Ernster is an aviation insurance broker that specializes in commercial UAV operations. After insuring manned aircraft for several years, he began targeting UAV companies in 2015. Since then, he has added 150+ commercial UAV operations as clients. These policies range from a single pilot operating a “prosumer” UAV to crews of pilots flying fleets of high-end, multiple sensor equipped UAS. Inspired by the entrepreneurship, skills, and fun he witnessed in the burgeoning UAV industry, he purchased his own UAV that he flies for recreation and is studying for his FAA Part 107 test. If you have any follow up questions on this paper, please do not hesitate for a second to contact him.

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