

# Attack of the Drones

2016 CAS Annual Meeting  
November 14, 2016



Verisk Insurance Solutions

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# Agenda

- **Potential Exposures & Coverage Implications**
- **Rating Considerations**
- **Underwriting Considerations**
- **ISO Response to Drones**



# Potential Exposures & Underwriting Considerations





# Reported And Potential Uses

- **Military**
- **Law Enforcement And Security Surveillance**
- **Search And Rescue Operations**
- **Agriculture**
- **Communications**
- **Delivery**
- **Photography**
- **Inspection**



# Potential Drone Exposures

## Drones

- Lost link
- Fly away
- Depleted battery

## Operators

- Pilot skill
- Human factors
- Maintenance

## Flying Environment

- Weather
- Location-specific hazards
- Wildlife



# Coverage Implications

## Liability

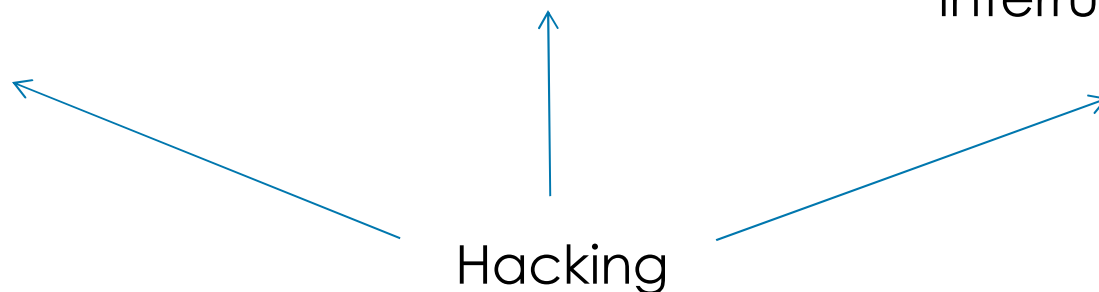
- Design/manufacture defect
- Collision
- Data-link transmission failure

## Personal Injury

- Invasion of privacy
- Trespass and nuisance
- Infringement and defamation

## Property Damage

- First-party property damage
- Perils of aircraft and falling objects
- Business interruption losses





# Drone Rating Considerations

- **Limited Data**
- **Crashes**
  - Bodily Injury
  - Property Damage
  - Will all crashes result in one or the other -- or both?







# Drone Rating Considerations (Cont'd)

- **Location**

- Rural
- Urban
- Weather



- **Drone Characteristics**

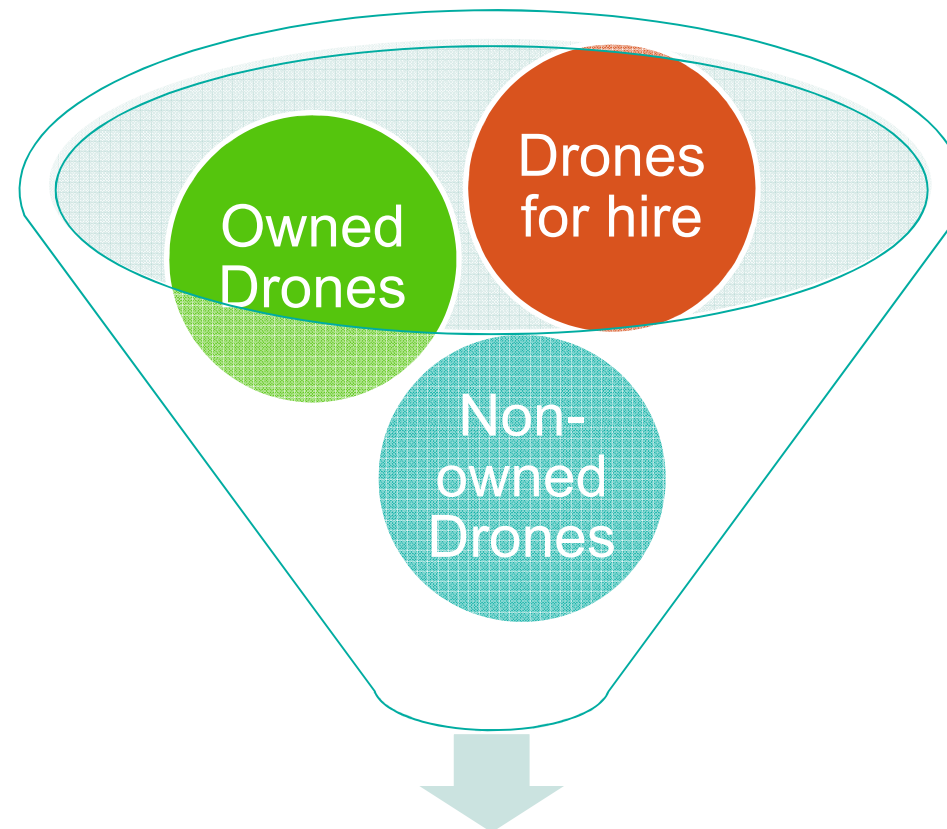
- Size
- Capabilities and Operations (photography, spraying, payload capabilities)

- **Operator**

- Experience
- Training



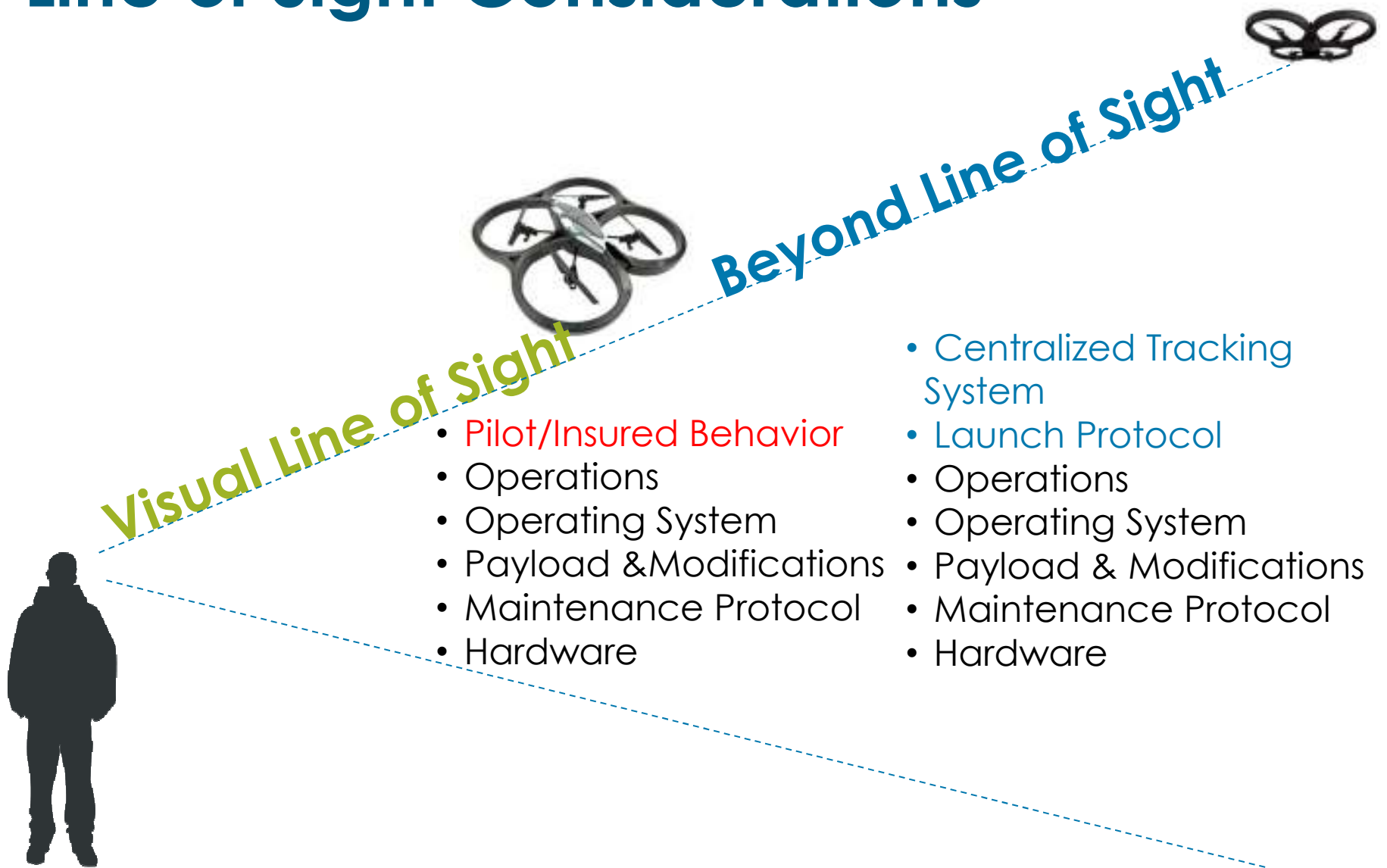
# Underwriting Considerations



**Exposure Range: Nuisance  
to Catastrophe**



# Line of Sight Considerations



# ISO - Response to Drones





# ISO Drones Options

- **Liability endorsements implemented 6-1-2015**
  - 3 exclusionary endorsements
  - 3 limited coverage endorsements
- **Commercial Lines property products**
  - Commercial Inland Marine released February, 2016
  - Commercial Property and Capital Assets filed in April, 2016
- **Businessowners**
  - Liability endorsements filed in Q2 2016
  - Property endorsements to be filed in 2017
- **Farm endorsements to be filed in 2017**



# New ISO Liability Endorsements

- **Optional exclusion endorsements - GL**
  - Coverage A only (CG 21 10)
  - Coverage B only (CG 21 11)
  - Coverage A and B (CG 21 09)
- **Optional coverage endorsements - GL**
  - Coverage A only (CG 24 51)
  - Coverage B only (CG 24 52)
  - Coverage A and B (CG 24 50)
- **Similar options for use with the ISO CU Program**



# ISO Commercial Inland Marine - Drones

- **New unmanned aircraft (drone) coverage options**
  - Stand-alone policy (IH 00 61) → new non-filed class in Inland Marine Handbook
    - Application, Declarations, Coverage Form
  - Endorsement (IH 99 29) designed to attach to:
    - Contractors Equipment floater
    - Machinery & Equipment floater
    - Miscellaneous Articles floater
- **Underwriting Considerations and Loss Control Recommendations provided**



# ISO Commercial Inland Marine - Drones

- **Stand-alone drone policy**
  - Covered Property
    - Drones and related equipment
      - Drones owned by or leased to insured
      - Option for drones leased or loaned to others
    - Owned cargo carried by insured drone
    - Cargo of others carried by insured drone (carrier-for-hire)
  - Scheduled and blanket options
  - Rental reimbursement option
  - Coverage also applies while drone is in flight
    - If part of scheduled business operations
  - Business interruption → use current BI form





# ISO Commercial Inland Marine - Drones

- **Drone endorsement**
  - Covered Property
    - Unmanned aircraft and related equipment
  - Scheduled and blanket options
  - Separate limit of insurance
  - Separate deductible
  - Coverage also applies while drone is in flight
    - If part of scheduled business operations



# ISO Commercial Property - Drones

- **Endorsement (CP 04 14) addresses:**
  - Drones and related equipment
  - Business personal property in or used in conjunction with drones
- **Scheduled and blanket features**
- **Designed for use with Special Form policies**
- **Coverage also applies while drone is in flight**
  - If part of scheduled business operations
- **No coverage:**
  - When drone is leased or loaned to others
  - For delivery of goods to others
- **Option for business interruption if part of base policy**



# Drone Resources

- **ISO Drone Resource Center**
  - [www.verisk.com/iso/drones.html](http://www.verisk.com/iso/drones.html)
  
- **Ongoing monitoring**
  - Emerging Issues Portal

# Questions?



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