

“Almost no one is thinking about insurance coverage”

Not all homeowner policies will cover mishaps of misguided fliers.

By Justin Bachman
Bloomberg News

If industry sales projections come true, this holiday season will put tens of thousands of relative novices at the controls of small unmanned aerial vehicles in densely populated cities and suburbs.

All that amateurish swooping over houses and cars, spooking pets and dodging humans invariably will lead to cracked windows and more than a few bloody injuries.

First come the toy drones. Then the liability claims start flying.

“Almost no one is thinking about insurance coverage when they’re opening the box,” said Jeff Antonelli, a Chicago attorney who specializes in federal regulations for unmanned aerial systems.

There’s little doubt that 2015 marks a vast expansion in hobby drone ownership. The Consumer Technology Association calls this “a defining year” for small drones, projecting total U.S. sales of 700,000 units in what would mark a 63 percent increase from 2014.

The wide range of drone models available this Christmas — from the \$40 Protocol Neo-Drone Mini to a \$3,000, 15-pound DJI T6000 with a sophisticated 4K video camera —

DRONES

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means there’s now a model on the market to fit almost any budget.

The liability protection in homeowners or renters insurance policies will sometimes cover damage or injury from a drone crashing into a neighbor’s house, vehicle or child. Yet this coverage isn’t universal, Antonelli said, and some policies specifically carry an aviation exclusion that encompasses recreational drones.

Best Buy, which does a brisk business in recreational drones, has posted safety brochures in more than 1,000 stores in the hope of breeding safer rookie pilots.

Shoppers bringing home a drone for the holidays can also purchase from Best Buy a one-year membership in the Academy of Model Aeronautics, an Indiana-based organization for model aircraft enthusiasts, to take advantage of group liability coverage.

Another major drone retailer, Amazon.com, also posts links to a “Know Before You Fly” educational

website established by drone manufacturers to promote safe flying.

Of course, most of the affordable recreational drones are small and weigh less than 2 pounds — less a hazard to a window than the average errant football toss.

Even so, a rash of drone accidents and injuries could lead to stiff regulations that might squelch the industry’s growth. There already have been a scattering of high-profile examples, including an onstage mishap this year in which a lightweight drone turned pop star Enrique Iglesias’ hand into a bloody mess.

One of the only insurance policies designed to cover hobbyist drone pilots comes from membership in the Academy of Model Aeronautics, which charges adults \$75 per year. The group’s 185,000 members enjoy \$2.5 million of personal liability coverage from Westchester Surplus Lines Insurance, part of ACE Group, and \$25,000 medical coverage.

“Most of the claims we have are small claims,” said Rich Hanson, the AMA’s director of government relations.

The most common case involves an out-of-control drone flying into a car. The AMA declined to reveal the average number of claims filed each year.

Homeowner policies at Allstate, one of the largest property insurers, will cover damage if a policyholder crashes a drone and damages someone else’s property. But a “first-party claim” — damage you do to your own home — isn’t covered, said Allstate spokesman Justin Herndon. The insurer sees a drone-mishap situation as akin to having your pet lion maul a neighbor’s furniture. Allstate would cover the big cat’s destruction of your neighbor’s stuff but not your own.

States and cities are beginning to address some of the regulatory issues that accompany drone flying, and he predicts that any surge in property damage or injuries will cause politicians to react quickly.

“If bad things are happening, someone is going to figure it out and step in from a regulatory standpoint,” said Matthew Henshon, a Boston attorney. “If enough damage is being done, someone is going to call their congressman.”