

Up, Up, and Away: Insurance Market for Commercial Drones Set to Take Off

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Unmanned Aerial Vehicles (UAVs or Drones) have been in the news increasingly over the past decade. While it began, primarily, with the federal government's use of Drones through the military and federal law enforcement agencies, Amazon's conceptual announcement of Prime Air in December 2013 started a whole new conversation. Since Amazon's announcement, the Federal Aviation Administration has notably granted a handful of exemptions, allowing corporations in industries such as agriculture, construction, film, and real estate to begin to operate Drones commercially.

As of drafting, the FAA reports having received more than 200 UAV exemption requests from commercial entities. Although the FAA is currently in the rule promulgation process with regard to Drones, the boom in requests for exemptions confirms that Drones are coming, and in volume. In fact, there have already been news reports of UAV activity around airports disrupting commercial airport and aircraft operations and traffic, and potentially endangering the public. Consequently, **a colossal demand for Drone insurance is on the horizon.**

The FAA estimates that close to 30,000 Drones will be used commercially by the year 2020. These estimates include a price tag of nearly \$100 billion in investment. With this large of an investment and exposure to loss developing, so too is the insurance market for Drones.

Although the amount and breadth of Drone insurance policies will vary based on industry, the intended usage, size of the device, and qualifications of the operator, a specialty market has started to emerge. But, because this industry is so new, it comes with a great deal of uncertainty. For instance, how much liability would a "typical" Drone accident result in?

One thing is certain: as the usage of Drones increases exponentially over the next decade, those property and casualty carriers that were prepared are set to capitalize. Are you ready for the Drone takeoff?