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Unmanned Aerial Systems (UAS) A.K.A. Unmanned Aerial Vehicles (UAV) and Drones Risk Management Perspective

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This document provides general insurance and risk management information related to school districts building and flying drones. Please contact your insurance agent or broker with additional questions. Or, call Gänder Consulting Group, LLC, the WASB Insurance Plan's risk management consultant, at (608) 286-0286. Gänder Consulting does not sell insurance and is available at no cost to WASB members.

1. According to the FAA, all UAS are aircraft.
2. The FAA draws a line between recreational/hobby usage of drones and all other uses.
3. FAA approval is not needed for hobby and recreational use of UAS (model aircraft). FAA approval is needed for all other uses of drones.
4. What is recreational use of small UAS? (sUAS)

"The recreational use of sUAS is the operation of an unmanned aircraft for personal interests and enjoyment. For example, using a sUAS to take photographs for your own personal use would be considered recreational; using the same device to take photographs or videos for compensation or sale to another individual would be considered a commercial operation. You should check with the FAA for further determination as to what constitutes commercial or other non-hobby, non-recreational sUAS operations." [Source: Know Before You Fly website].

Risk Management Concerns & Exposures – What losses may occur as the result of building and flying drones?

1. Loss of the value of the UAS and attached equipment.
2. Bodily injury and property damage caused by the UAS.
3. Invasion of privacy concerns.
4. Collision and/or interference with other aircraft, objects and people.
5. Operating UAS without proper authorization may be considered criminal, and fines may be assessed.

Flying Bare – Presume No Insurance Coverage for Losses/Claims Arising Out of the Use, etc. of UAS

School districts should not expect their property or general liability insurance policies to respond to any losses arising out of the building, use, maintenance, etc. of UAS/drones.

- Standard property policies exclude coverage for aircraft.
- Standard general liability policies contain the following aircraft exclusion:

“This insurance does not apply to Bodily Injury or Property Damage arising out of the ownership, maintenance, use or entrustment to others of any aircraft...owned or operated by or rented or loaned to any insured...”

- Most standard general liability policies limit the scope of invasion of privacy claims to oral or written publication of material.
- Insurance does not typically respond to losses arising out of criminal activity (even if merely alleged), or pay fines.

Long story short: School districts should expect to self-fund any adverse financial implications arising out of the use of UAS.

Resources

1. The FAA is charged with the safe and efficient use of U.S. airspace, referred to as National Air Space (“NAS”). NAS extends to the ground.
2. <http://knowbeforeyoufly.org/for-business-users/>
3. FAA UAS FAQ - <https://www.faa.gov/uas/faq/>