



Unmanned Aerial System Registration; Insurance As A Single Point Solution

By Terry Miller

While federal insurance requirements exist for commercial aviation, no federal requirement exists for general aviation (GA) liability insurance. In other words, most privately owned and operated aircraft are not required to carry any type of liability insurance at all in the United States.

In the U.S. most insurance is regulated by the individual states as required under the McCarran-Ferguson Act and even the majority of states have no GA liability insurance or related financial-responsibility requirements. Some other entities such as state or county operated airports may impose insurance requirements but it is a patchwork of regulation that varies geographically.

Perhaps the FAA should require all GA and Unmanned Aerial System (UAS) owners and operators to carry liability insurance. That would force operators to maintain the higher training and proficiency standards the insurance companies require. It would also allow for more accurate tracking of the national fleet composition, uses and a potential point for aircraft registration, deregistration, accident reporting, and even operator and pilot licensing.

The Extent of the Problem

Based solely upon the total numbers of UAS manufactured, built and sold versus the numbers of insurance policies placed, the estimated percentage of UAS operators without liability insurance in the United States is in the 99% range. In manned GA, the estimate is closer to 70% to 80%. Although there is no way to know the true extent of the problem, most agree that a problem exists.

Purpose of Liability Insurance

The purpose and benefit of liability insurance is to cover damages that the insured party, who assumes the risk of engaging in a certain activity, causes to innocent bystanders or their property who did not assume that risk. Mandatory liability insurance would serve to protect the public at large from the costs associated with those damages and help ensure that victims could receive compensation for at least some of the costs incurred from injuries.

Public Safety Benefits

Potential public safety benefits are key considerations in determining whether to adopt a federal UAS liability insurance requirement. Although requiring UAS liability insurance will not eliminate accidents, it may positively impact safety because insurers offer policyholders reduced premium incentives for activities they think could enhance safety.

Currency and proficiency are two different things. Currency puts you in compliance with FAA regulations, the intent of which is to ensure that you are maintaining your proficiency. Over time, insurance companies have learned that the pilot currency requirements of the FAA do not necessarily lead to the

levels of proficiency required for underwriting profitability. Without question, insurance companies require a great deal more than the Federal Aviation Regulations relative to minimum number of flight hours in a specific timeframe and aircraft model, and may require additional training for operators who have limited experience or are transitioning to more complex aircraft. Insurance companies monitor loss ratios and know what leads to safer flying, and most importantly to them, have a financial interest in the pilot being properly trained and experienced in the operation of the UAS before they take on the risk.

Costs and Benefits to the UAS Community

Potential costs to, and their effect on the UAS community are a key factor in assessing the appropriateness of a liability insurance requirement. Costs to the community as a whole could increase if insurance companies are forced to insure higher risk operators and exposures. On the other hand, cost may rise to insured operators as a result of reduced premium volume and spread of risk if a large percentage of the community chooses not to carry liability insurance. The more likely outcome will be an improved culture of safety leading to safer operations, lower loss ratios, lower premiums and a reasonable profit to insurers.

A federal liability insurance requirement could also serve to level the playing field among all UAS operators. A federal requirement applied equally to all UAS operators through a single system would remove the advantage large operators have over small single ship or small fleet operators. Smaller operators could improve their insurance rating through “what-if” analysis and put themselves on the same rating level as the largest operators on a job-by-job basis.

Ultimately, the cost benefit to the public and society as a whole will dictate the real cost of operating without insurance.

Implementation and Administration

Implementing and administering a liability insurance requirement for UAS owners and operators at the federal level could be logical because of the existing federal role—that is, FAA oversees and monitors aircraft commercial insurance requirements, registration and pilot licenses. Without additional resources, the FAA could extend authority to the insurance industry to track and process all of those as they relate to UAS.

Insurance companies are exceptionally adept at tracking insured assets and would be a logical central point for UAS registration and even licensing. Since insurers would have to provide verification of coverage as they do now to the FAA on the standard OST 6410 for commercial operators, processing registrations and pilot licenses or certifications for the FAA would not be unreasonable. This would provide a single point of verification, registration, licensing and compliance.

An added benefit would be accident reporting and claims handling. Insurance companies would be necessarily involved with all losses resulting from accidents and incidents involving the aircraft they insure and would be a logical point of accident reporting and verification.

De-registration

The likelihood that UAS are destroyed, lost, stolen or replaced is much higher than with many other types of capital equipment. Removing aircraft from the insurance policy is typically the first action an insured owner or operator takes when they sell or remove an aircraft from operation and it would be logical for the insurer to likewise de-register the aircraft with the FAA.



In Conclusion

If UAS owners and operators were required to have liability insurance, they may seek higher training certification or update their training more frequently in order to obtain lower premiums from insurance companies. Ongoing pilot education, among other factors, could help reduce causes of accidents. FAA officials have noted that while liability insurance requirements may have an indirect impact on safety, enforcing such requirements would be outside of their aviation safety mission.

Mandatory insurance requirements may be an answer to many of the concerns surrounding UAS and their integration into the NAS.



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