



PRACTICE FOCUS: INSURANCE

It seems inevitable that drones will be great tools for the insurance industry, writes Jason Wolf of Koch Parafinczuk & Wolf. **A8**

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Drones will help insurance industry, but what else?

Commentary by Jason Wolf

Drones are everywhere these days. Not literally — yet.

The media coverage of unmanned aerial vehicles has reached fever pitch, focusing predominantly on drone strikes by the military against civilians overseas and domestically as well as perceived privacy intrusions. A far more compelling — and insurer friendly — use for drones is inevitable, especially here in South Florida.



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For the uninitiated, drones, also called unmanned aerial vehicles, range from stealth predator drones sweeping the

skies above rural Taliban encampments in Afghanistan to glorified remote control helicopters that fit in the backseat

of your car. The industry is in its infancy now, as various stakeholders — drone users, lawmakers, businesses and others — try to flesh out the best ways the new technology should be deployed. From a business and insurance perspective, drones may be a game-changer.

A report by the Association for Unmanned Vehicle Systems International predicts that in just a few short years the drone industry may add up to 100,000 new domestic jobs and produce \$82 billion in economic activity between 2015 and 2025. The skies are expected to darken with drones by 2015, although for now, states are cautiously placing restrictions on drones. Fantasy abounds in the industry as people toss around a myriad of ideas for using drones: Imagine a drone, instead of a person in a car, delivering a pizza; or think of spying on your neighbors by using your drone, and then reporting your neighbors to the local police.



Property insurance companies are likely to be early adopters of the technology. Some of the implications are self-evident: Consider an adjuster pulling up in his car to a neighborhood after a hurricane, pulling a drone out of his trunk, sending it skyward with the push of a few buttons on his tablet device, and recording HD video of every house on the street. The level of detail that would then be available for an insurance company to properly make a claims payment decision is enormous.

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To be sure, adjusters, engineers and restoration companies already make extensive use of aerial surveys, satellite photos and micro-targeted weather data. But drone usage will be different because it will essentially allow three-dimensional modeling of an entire home and neighborhood via video. And claims adjusters will be able to easily perform a neighborhood survey in which they can identify each branch ripped from trees, every displaced roof shingle, and all other storm debris. A drone can also circle a home, slowly, meticulously providing still and aerial pictures of every inch of the structure.

Even after catastrophes, when overworked adjusters have to adjust numerous claims in a day in order to provide rapid payment to their policyholders, it will be virtually impossible for the adjuster to miss anything, because he will have drone video and photos to scan the entire facility.

This new technology will also require adjusters who have a different skill set than today's property and casualty adjusters. In addition to learning and understanding the subtleties of insurance, property damage, claims and coverage issues, an adjuster would also need to learn how to use the UAV, understand the imagery and thermal data, evaluate the facts and images, and compare/contrast the video to older images that could be taken from a different angle, a different height, even a different system.

This new drone world is not a reality yet. But bills are cropping up in an effort to limit or regulate the use of drones. Some require a license for any drone operator, others mandate a warrant in order to use a drone to collect aerial or thermal data. Florida Governor Rick Scott, in April, signed a bill banning drone use by law enforcement. The bill was unanimously approved

by the House and Senate, and the discussion mostly focused on the overly simplistic aspects of privacy concerns.

The law bars law enforcement officials from using drones without a warrant or threat of a terrorist attack and prohibits the use of data procured by drones to be used as evidence in courts. It does not address drone usage by private companies, which will need to be addressed from a legal perspective in short order. Courts will also need to determine how they will treat drone-captured video and still images.

There are also privacy issues with insurance companies utilizing drones. If a drone passes overhead in order to determine the scope of damage in a neighborhood and ends up capturing potentially unlawful activity, such as marijuana plants in a backyard, could the video from that drone be subject to law enforcement confiscation? Does the drone's mere presence above your yard, even after a disaster, make it a nuisance? If a drone is simply surveying the land or property, is that intrusive?

Ultimately, it seems inevitable that drones will be great tools for the insurance industry, among other fields. The data they collect will confirm issues regarding property damage, speed up the claims evaluation process, and otherwise enhance and improve coverage issues. Progress marches on, as the saying goes, and notwithstanding the evolution of a new industry which will ensue, you can expect insurance adjusters to utilize drones within the latter part of this decade.

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