



## Drones: The risks and rewards

Unmanned aerial vehicles can play a big role in property management

Think of them as mobile closed-circuit television systems (CCTV).

Unmanned aerial vehicles (UAVs, aka “drones”) can serve as the extended eyes and ears, even the nose and heat-sensitive skin, of property managers.

Now available in small sizes, even as toys, aerial drones are capable of carrying cameras and listening devices, as well as equipment capable of detecting gas leaks, heat build-up, and other indications of danger.

Operating faster and more economically than human security and maintenance staff, drones can enhance personal security by providing constant vigilance for intruders, wild or stray animals, downed power lines, and other hazards, as well as detecting persons felled by injury or illness.

Along the same line, drones can conduct around-the-clock inspections of the property, detecting fires, water leaks, roof damage, and other evidence of physical damage. In this capacity, drones can access spaces that are very small or out of reach, quickly conducting inspections that would be hazardous and time-consuming for humans acting alone.

Drones can be especially effective in helping to monitor large property complexes, where they would supplement CCTV, electronic monitoring, and human security and maintenance staff.

### Now legal; still risky

As of August 2016, the use of aerial drones for commercial purposes is now legal under guidelines issued by the Federal Aviation Administration (FAA). Generally speaking, companies can now operate aerial drones provided the UAVs weigh less



than 55 pounds (including equipment and cargo), stay below 400 feet in the air, and remain within the visual line of sight of a licensed operator.

Other restrictions apply, as well, including one that drones cannot fly over people unless they are under some sort of shelter. That could be problematic for use in monitoring real estate complexes, but users can apply for waivers from certain FAA rules. To secure a waiver, one would have to show the necessity of a waiver, and how one planned to address any resulting risks.

(This article only addresses the operation of drones by property owners themselves, or people acting on their behalf. A separate issue is whether property owners can restrict tenant use of drones, including personal recreational use that is not subject to the restrictions governing commercial use.)

The prohibition against flying over unshielded individuals is a result of the risks that accompany use of drones.

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First and foremost, there is the risk of high-speed collisions with people and property, which can cause serious injury and damage. While many drones include sensors for detecting and avoiding objects, there is no control over a drone that has malfunctioned or lost power and accelerates to the ground over hundreds of feet.

Even with fully functioning and well-operated drones, there is risk of nuisance claims from people who claim that the presence of UAVs disturbs enjoyment of their dwellings.

Moreover, since drones used in property management would primarily be used for surveillance, there is risk of invasion of privacy if a drone records adults in places and situations where they expect a right of privacy.

Over the past year, media outlets have reported on complaints from public safety departments that privately operated UAVs (generally those of hobbyists) have interfered with responses to public emergencies.

Some commentators have also expressed horror at the remote prospect that a privately-operated drone could interfere with a commercial airliner, causing a crash and killing hundreds.

Under the FAA rules, drone operators are to alert air traffic authorities whenever they are within five miles of an airport, and also need to stay away from the airport's immediate airspace. The remote possibility of a collision between an airliner and a drone less than 55 pounds operating under 400 feet would be similar to the commonplace collision of airliners with birds.

### Coverage and costs

When considering whether to integrate drones into a property management operation, don't forget that they can operate largely unregulated: indoors, beyond the reach of FAA control over the nation's airspace.

Hotels, arenas, and convention centers use footage from UAVs to market the size and amenities of their facilities, and drones can be used to monitor safety and security in warehouses, terminals, and other structures with ample airspace.



Insurance products for the first- and third-party risks for the use of drones (property and liability risks, respectively) are now available in the surplus lines market, and beginning to emerge among admitted carriers.

The Insurance Services Office (ISO) the most widely-used property/casualty advisory organization, has led the way to address the drone coverage available from mainstream insurers by developing and filing policy endorsements explicitly excluding or providing coverage for losses to or arising from UAVs.

These endorsements include:

- A series of policy options approved in 2015 that would, in effect, exclude or provide liability coverage for bodily injury, property damage, and/or personal injury, or some combination thereof;
- An inland marine policy form released in 2016 for providing first-party physical damage coverage for a drone; and
- Endorsements for providing UAV physical damage coverage under commercial property and businessowners policies, both commonly used to insure rental properties.

### A complement, not a substitute

For all the potential benefits of UAVs for property managers, practical and regulatory constraints on their operation will require, in most cases, that they only be used as a complement to, not a replacement for, conventional surveillance and monitoring technologies.

As long as drones are required to operate within an operator's line of sight, there will need to be CCTV to monitor building security from a control center if they operate out of sight. Without a waiver, the prohibition against flying over unshielded people will severely restrict the use of drones over parking lots and other open areas.

With the ability to conduct more thorough surveillance at lower cost than human inspectors and security personnel, drones are likely to become part of the property manager's common toolkit very soon.