



March 29, 2017

TO: Senator Hannah-Beth Jackson

FROM: American Insurance Association
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

SUBJECT: SB 347 (Jackson) State Remote Piloted Aircraft Act - OPPOSE

Dear Senator Jackson:

The above listed organizations appreciate your efforts on SB 347, which seeks to enact the State Remote Piloted Aircraft Act. Unfortunately, we must take an OPPOSE position on the measure. The effect of the bill would be to prematurely mandate insurance on all commercial operations of unmanned aircraft systems, commonly known as drones, in the state prior to understanding the uses, experiences, risks, liabilities and penalties necessary to underwrite the insurance. Additionally, we have concerns over the patchwork of laws and regulations which could be implemented under this bill.

Unwise Mandate of Insurance

The evolution of drone technology represents exciting opportunities for businesses and drones will be used for a myriad of purposes in the future. Like any innovation, these devices also offer new and unknown risk based on how they are used. Insurance will undoubtedly be one part of managing these risks and, indeed, carriers have already begun to explore how to best underwrite drone-related risks to protect the public and policyholders.

Statutorily requiring adequate protection against liability imposed upon commercial operators of remote piloted aircraft effectively equates to insurance. However, it is an unwise mandate as there is currently insufficient actuarial data to calculate risk. Liability insurance, as obtained and regulated today, is based on historical claims data and underwriting experience. Given the relatively new technology of remote piloted aircrafts, liability insurers are still in the process of collecting data to develop insurance coverage. We must also oppose the Department of Transportation establishing the amounts of actuarially untested liability limits. Improper liability

limits may actually artificially increase the cost of drone insurance, which could suppress innovation; conversely, they could cause a false sense of security.

Must Avoid a Patchwork of Laws

Additionally, we have concerns over the authority being delegated to the Department of Transportation under this bill to regulate airspace that is currently under Federal Aviation Administration (FAA) control. Legislative proposals that seek to regulate remote piloted aircrafts at the state level have the potential to create a complicated patchwork of laws and regulations.

We strongly believe that any laws or regulations adopted by this state and others relating to the use of remote piloted aircrafts need to be in compliance with rules adopted by the FAA so as not to create a conflict with state and federal laws. Piecemeal regulations at multiple levels impede the development of responsible use.

We appreciate your consideration of the above issues and we look forward to working with you on this legislation. If you have any questions about this letter, please contact Ross Buckley at (916) 442-6646.

cc: Honorable Members, Senate Transportation and Housing Committee
The Honorable Senator Jim Beall