



Drones, Cars and Owners, Oh My!

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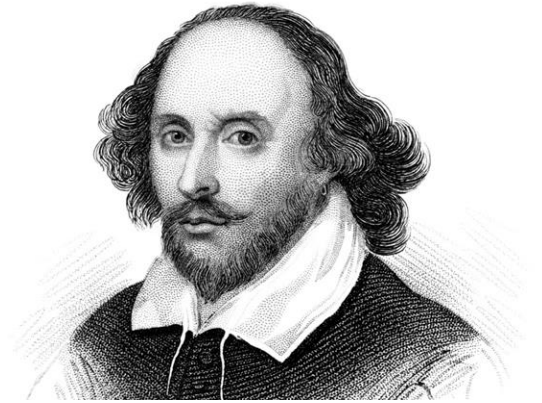
Learning Objectives

- Understand how workers compensation covers owners, and the merits of including or excluding owners from coverage.
- Identify key risk issues and insurance coverages to protect design firms from the use of rental vehicles while on company business.
- Identify key risk issues and insurance coverages available to protect design firms from the use of unmanned aerial vehicles (UAV)/drones.

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**Workers Compensation for
Owners: To Cover, or not to
Cover; That is the Question.**

Question:

As an owner...why would you exclude yourself from workers compensation?

- “Too expensive”
- “I have health insurance”
- “I won’t get hurt on the job”
- “I won’t take time off even if I’m hurt”
- “We’ve always excluded owners”

What is Workers' Compensation?

A system by which no-fault statutory benefits prescribed in state law are provided by an employer to an employee (or their family) due to a job-related injury (including death) resulting from an accident or occupational disease.

- If you have one employee, you must have WC
- Owners can be covered, or exempt



“It’s too expensive.”

What does it cost?

$$**P/100 * R = Pr**$$

(Payroll/100 * Rate = Premium)

$$**\$100,000/100 * \$.30 = \$300**$$

(maximum payroll in AZ for owner is \$223,600 for 2018)

Rate is estimate; consult your insurance policy for your specific rate.

Does your health insurance cover work-related injuries?

United Healthcare:

Exclusions:

Services provided under Another Plan:

Health services for which other coverages is required by federal, state or local law to be purchased or provided through other arrangements. Examples include coverage required by workers' compensation. If coverage under workers' compensation...is optional for you because you could elect it, or could have it elected for you, Benefits will not be paid for any Injury, Sickness or Mental Illness that would have been covered under workers' compensation...that could have been elected".



Does your health insurance cover work-related injuries?

Humana:

Duplication of benefits/other insurance:

We will not provide duplicate coverage for benefits under the policy when a person is covered by us and has, or is entitled to, benefits as a result of their injuries from any other coverage including...any no-fault insurance workers compensation settlement or awards...

Where there is such coverage, we will not duplicate other coverage available to you and shall be considered secondary in the "Coordination of Benefits" section.

Does your health insurance cover work-related injuries?

BCBS:

WHAT IS NOT COVERED:

Workers' Compensation:

Services to treat illnesses and injuries which are (1) covered by Workers' Compensation; and (2) expressly identified as workers' compensation claims when submitted to BCBSAZ. This exclusion does not apply if the member has made a statutory opt-out election and/or is exempt from Workers' Compensation coverage.

“I won’t get hurt on job”



**“I won’t take time off even if
I’m hurt”**

"We've always excluded owners"



"But this is the way we've always done it."

Workers' Compensation Coverage

Three Parts:

- **Medical Costs**

- Pays for actual costs for medical bills arising from work-related injury
- Limits are statutory

- **Disability**

- Pays 66.66% of your average monthly compensation
- Maximum of \$4,625.92

- **Death Benefit**

- \$5,000 burial costs
- To Spouse/Children: 66.66% of your average monthly compensation (subject to same maximum) until death/remarriage for spouse, 18 years old for kids, unless in college...age 22

Workers' Compensation/Health Benefit Comparison: Auto Accident

- BCBS \$2,500 PPO 70% coins, \$6,500 Max.
- \$50,000 medical expenses from accident:

Injured owner will be responsible for co-pays, deductible and coinsurance. Possible out of network costs as well. Likely out of pocket expenses:

\$6,500

Disability/Death benefit NOT included in health plan

Workers Compensation/Health Benefit Comparison: Auto Accident

- Workers Compensation Policy
- \$50,000 medical expenses from accident:

Injured owner pays no copays, deductible or coinsurance.
Out of pocket expenses:

\$0

Disability and death benefit included, and broadest network
of providers available

Final Takeaways

- Workers' compensation for owners is NOT too expensive;
- Workers' compensation benefits are more comprehensive than health coverage;
- Workers' compensation pays disability/death benefits;
- Your group health policy may NOT cover work-related injuries;
- You should consider adding owners to your workers' compensation.



The Rental Car Conundrum



Rental Cars for Company Use

Realities: Firms often utilize rental cars for out of town trips, to save wear/tear on company vehicles, or to keep employees from using their own vehicles.

Problems: Accidents in rental cars present serious insurance issues.

What are the risks in renting cars?

- Damage to the rental car;
- Damage/injury to third party car/person;
- Loss of use exposure to rental company (daily rental charge while vehicle is being repaired)

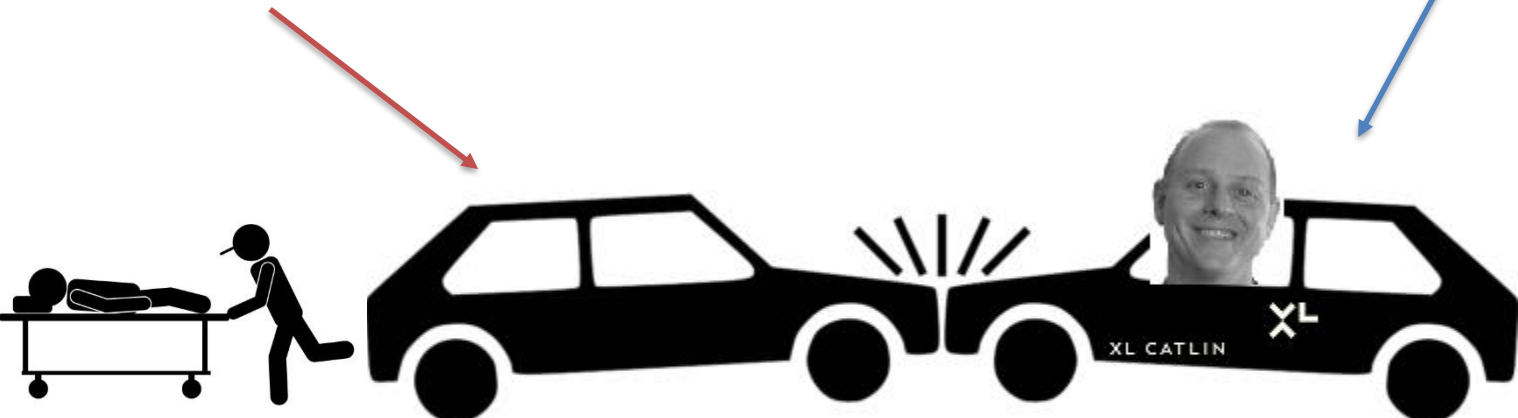


Car Insurance Refresher

Liability: Bodily Injury and Physical Damage to 3rd Party

Physical Damage to Doug's Vehicle

At Fault



Loss of Use for Rental Company



Which policies might cover the exposure?

- Business Auto Policy (BAP)
- Personal Auto Policy (PAP)
- Rental Car Company Insurance
- Credit Card Coverage



Business Auto Policy (BAP):

- Most have coverage for “hired autos” on BAP;
 - Symbol 1 (any auto) or 8 (hired autos) for damages/injuries incurred by a 3rd party due to your negligent operation of a vehicle
- MAY have hired auto physical damage.
- MAY have hired auto physical damage-loss of use.
- What if your firm does not have a BAP?
 - Most have Hired/Non-Owned Auto Liability on BOP, but no physical damage coverage.

CHECK YOUR POLICY!

Typical BAP Coverages:

- Liability: \$1m Combined Single Limit for bodily injury/property damage
- Hired auto physical damage: If on policy, likely \$50k to \$100k.
- Hired auto physical damage-loss of use: If on policy, likely \$65/day, \$750 max.

Typical BAP Coverages:

Do all of your policies automatically have this coverage?

- NO—you must request to add to policy.
- Not all policies can have these added.
- For rented vehicles, insurance covers work-related accidents only.



Typical Personal Auto Policy (PAP) Coverages:

- Liability: \$15k per injury, \$30k for all injuries and \$10k for physical damages to 3rd parties;
- Hired auto physical damage: Usually covers rental car;
- Hired auto physical damage-loss of use: None.

Intended for personal use only. If car rented in company name or paid for with company credit card, possibly no coverage.

Typical Rental Car Company Coverages:

- Liability: None. Can purchase up to \$1m;
- Hired auto physical damage: None. Available with Damage Waiver purchase;
- Hired auto physical damage-loss of use: None. Available with Damage Waiver purchase.

Damage Waiver gives you the ability to total a car, and walk away with no responsibility for cost of vehicle or loss of use.

Typical Credit Card Coverages:

- Varies widely depending on level of card, personal or corporate, etc.;
- Card must be used to reserve *and* pay for rental to expect coverage.

What's in Scott Schmidt's Wallet?

My Personal Card: Secondary to other insurance.
\$100k of damages and loss of use. Must decline DW
from rental company. **NO LIABILITY**

My Corporate Card: Secondary to other insurance.
\$75k of damage and loss of use. Must decline DW
from rental company. **NO LIABILITY**



Claim Example

- Mary flies to San Diego to meet with clients. She rents a car, but does not elect to purchase the Damage Waiver, saving her company \$24.99 per day;
- Her Business Auto Policy has Hired Auto Liability, but no physical damage/loss of use coverage;
- On her way to her second appointment...

Claim Example

She is reading an email while driving, misses a turn, and crashes into a boat.



- The resulting damages are:
- \$7,000 ER visit for Mary;
- 25,000 ER visit for boat captain;
- \$50,000 damage to boat;
- \$15,000 damage to rental car;
- Eight weeks loss of use for repair of rental car
 - \$75/day for 56 days = \$4,200

Total Costs: \$76,200

How is this covered??

- Mary's \$7,000 medical costs:
 - Workers Compensation
- \$25,000 ER visit for boat captain:
 - BAP, \$1m liability with symbol 8 (Hired auto), covered
- \$50,000 damage to boat:
 - BAP, \$1m liability with symbol 8 (Hired auto), covered
- \$15,000 damage to rental car:
 - No coverage on BAP. PAP? Credit Card?
- Eight weeks loss of use for repair of rental car:
 - No coverage on BAP. PAP? Credit Card?

Additional Issues:

- Did Mary reserve/pay for in her name or company name?
- Rental Car company will likely charge Mary her PAP deductible on her credit card on day of accident.
- Rental Car company will charge you for damages regardless of fault.

MAY I SPEAK WITH SCOTT SCHMIDT, PLEASE?



Solutions:

- **Safest Solution:** Avoid renting cars when possible. Accidents in rental cars never turn out well.
- If you decide to rent cars:
 - Have a rental car use policy; all employees follow;
 - Reserve in company name, pay with company card;
 - Purchase Damage Waiver (unless you want to accept risk of loss of use charges);
 - DO NOT allow employees to use rental car for post-work activities (golf, bars, casinos, vacation, etc.);

Plan on it being unpleasant if you have an accident in a rental car



Game of Drones



What are they/what do they do?

- Unmanned Aerial Vehicles (UAV)
- Up to 55lbs
- Used by A/Es for aerial imagery, observation, surveying, 3D mapping, traffic monitoring,
- Costs: \$500 up to \$50,000

As of June 2016, 32% of design firms reported using drones

- The Architects' Journal



Regulations

- Effective August 2016, FAA has instituted drone rules, know as Part 107;
- Persons flying UAVs must have a “remote pilot certificate” or be directly supervised by someone with a certificate;
- 624 page rule book;
- Must pass FAA test to earn Part 107 Certificate.

Regulations

- Daylight flying only;
- Only up to 400 feet from ground unless within 400 feet of taller building or tower;
- Line-of-site of operator/observer.



Regulations

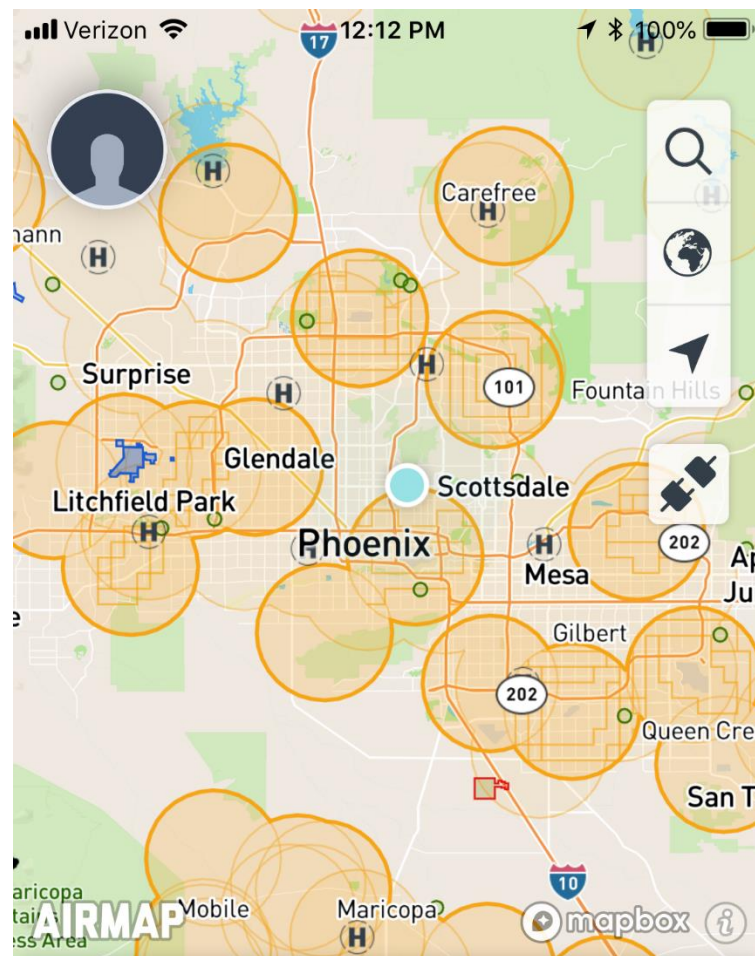
- FAA Claims control over “everything that flies”
- Over 30 states have their own drone laws;
 - 10+ have criminal penalties for misuse
 - 10+ have “privacy protections”

Arizona Specifics: State parks, prisons, interference with emergency services. Violation of AZ or FAA laws in Arizona result in Class 6 Felony.



Know your airspace...

- Restricted airspace is all around you;
- Applications available to understand restrictions/file flight paths;
- Most drones have GPS; the FAA will know where you are flying.



What are the risks?

- Damage to the drone;
- Liability-damage to 3rd party person/property;
- Penalties;
- Errors & Omissions for practice use;
- Privacy.



How to Cover with Insurance?

Physical Damage/Liability

- Some “BOP” insurers can provide physical damage to drone and liability;
 - Endorsement to General Liability extending to use of drone
 - Limited in dollar values/use, but inexpensive
- Specialty aviation insurers can provide physical damage and liability;
 - May be more comprehensive, but more expensive

How to Cover with Insurance?

Errors & Omissions:

Many policies protect firm's use of drone as a tool to allow A/E to perform their professional obligations. BUT...must be based on wrongful act or omission in the performance of professional services.

Cyber Liability:

Shared platforms/networks could cause drones to be a gateway into your company's systems, opening you up to a breach.



In Summary...

- Analyze your risk/rewards for drone use;
- Consider hiring 3rd party if you are not prepared/insured for drone use;
- Ensure your employees are trained/educated in all things drone;
- Evaluate your risks, purchase the appropriate insurance.





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