

# How to Add Drone Tech to Your Insurance Budget



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**M**any claims execs are thinking about where drones fit at their company. You've heard about benefits like more efficiency, scalability for CAT response, more safety, and the advantages associated with gathering consistent, detailed data on every single property. You may even know that advancements in A.I. and deep learning are making it easy to determine what caused damage, so you can improve cycle times and customer experience. But do you know where these things fit in your current processes?

This guide will help you understand a few ways drone tech fits in your insurance company and what the costs and benefits are, so you can add them to your 2019 budget.

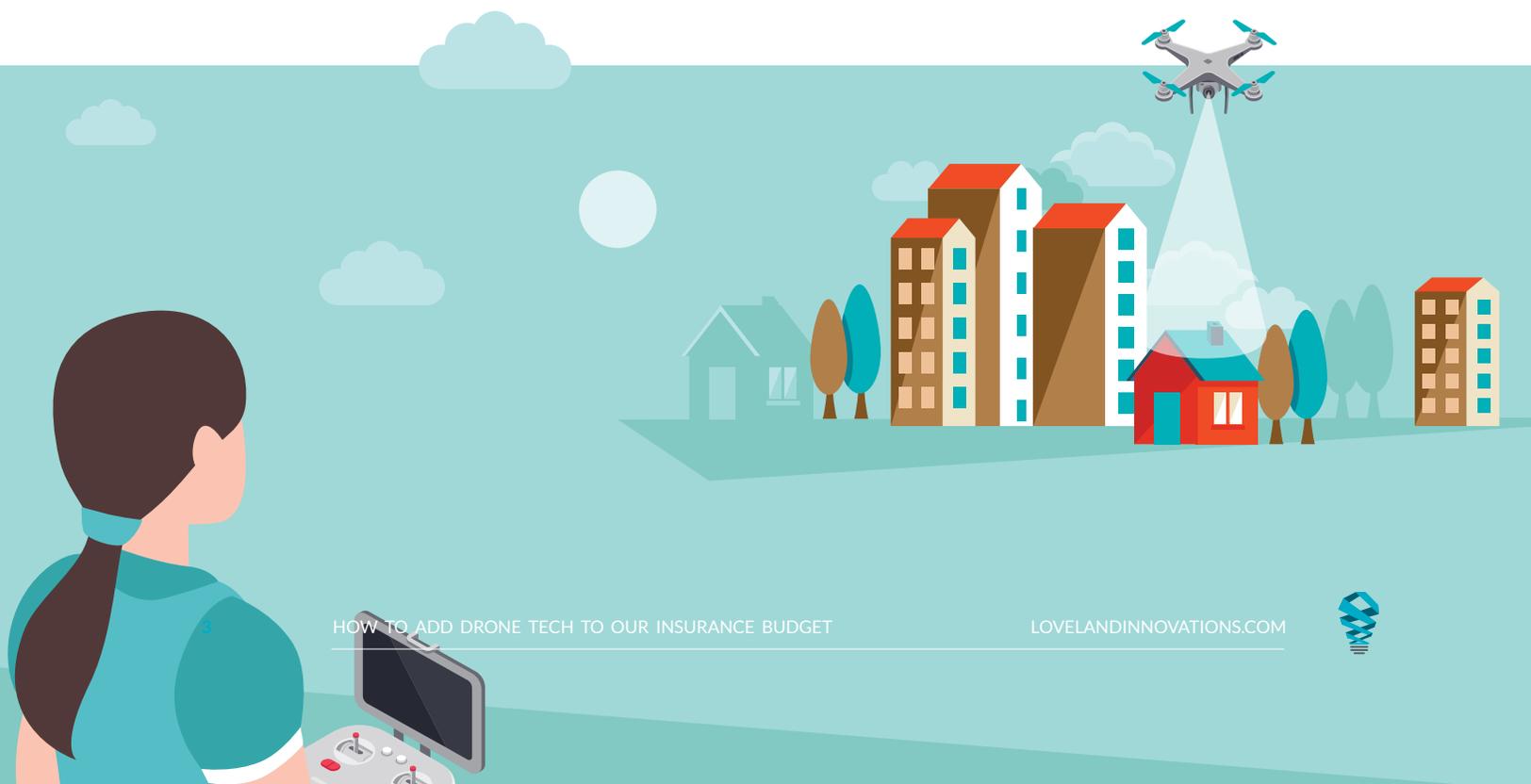


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# The Two Basic Models for Drones in Insurance

There are two main ways for you to use drones as an insurance carrier. You can develop a program with your own adjusters and pilots or you can outsource third-party drone pilots to deliver you claim data.

Many carriers will use a combination of both, as there are pros and cons to each.



# 1. Develop Your Own Drone Program

With your own program, you can unlock a few specific benefits depending on your approach. In general, there are two ways to use drones in-house.

- Equip field adjusters with drone tech
- Use dedicated pilots for roof claims

Developing your own drone program is a mid-to-long-term investment and requires a number of budget considerations. The specifics can vary quite a bit depending on vendor selection, hardware, and so forth. In general, here are the benefits and costs you'll want to consider.

## Benefits



### Improve Output

Across a fleet of adjusters, drone solutions can help you grow your operational output by 200%.



### Reduce Cost Per Claim

If each adjuster can double their rate of closed claims without sacrificing quality, you can cut your cost per claim by 50%.



### Reallocate Labor

Drone inspections don't require an adjuster's expertise. You can hire pilots to get the data and have adjusters focus on desk adjusting. A pilot might cost \$40K - \$55K/year fully burdened, vs. \$84K for an adjuster\*.



### Prevent Injuries

Injuries from fallen adjusters not only have an emotional toll, they're also costly. Keeping adjusters on the ground can prevent injury and all the associated costs of medical care, workers compensation claims, and so forth.

\* Average salary of insurance adjuster: \$64,690 per year (<https://www.bls.gov/ooh/business-and-financial/claims-adjusters-appraisers-examiners-and-investigators.htm>)  
- Average benefits package of private employee: 30.5% of base salary (<https://www.bls.gov/news.release/pdf/ecec.pdf>)  
- Total cost for adjuster: \$84,420

- Average salary for drone pilot: \$30K - \$40K / year (Common salary via Indeed.com)  
- Average benefits package of private employee: 30.5% of base salary (<https://www.bls.gov/news.release/pdf/ecec.pdf>)  
- Total cost of pilot annually: \$40.5K - \$54K



## Cost Considerations

### The Drone Solution (hardware and software)

**\$1,000 - \$40,000 per year, per user**

#### Hardware

Pilots need drones, accessories, and sometimes smart phones or tablets in order to fly. Hardware solutions can vary from around \$1,000 for a simple, manual drone solution, to \$3,500 for an automated platform. More over-built solutions cost as much as \$40K for a yearly lease that gives you hardware and access to the underlying software. Spendy solutions like these have you deciding whether to buy new trucks or drones.

#### Subscriptions

While manual flight won't require a subscription, more advanced drone solutions often require you to have subscription to the underlying software that allows to fly the drone, analyze imagery, create reports, and so forth. Automated options typically offer basic functionality (flight planning, image annotation) as a base, with costs increasing for things like measurements, automated damage detection, and more. Software subscriptions can be as little as \$3500 per user, per year.

#### Maintenance

**\$200 - \$500 per year, per user**

Drones typically require little maintenance, but it's still a factor worth adding to your budget. Some drone vendors offer annual care plans that cost around \$200-\$250 a year that might cover you in the event of an accident. You'll want to budget \$100 or so for extra propellers, worn batteries, and accessories.

#### Training

**\$300 - \$1,000 every two years**

To fly commercially, pilots need to be certified with the FAA. The cost for the remote aeronautical test (which earns pilots their certificate) is \$150 every two years. Educational content to help pilots pass the test as well as training on the platform you've chosen might cost \$300 - \$1000 per user, depending on the provider.



### Cellular plans

**\$240 – \$1200 per user, per year**

Many drone solutions require a cellular plan to allow a device to communicate with a cloud-based platform. Costs depend on how much data you need. Watch out for those data overages!

### Drone insurance

**\$740 – \$1,000 for ~\$500,000 in coverage annually**

Aircraft and watercraft are typically excluded from commercial policies, so you'll need a separate policy for your drones.

## Total Budget

As you evaluate, consider your needs and which drone solution fits them well. There are plenty of over-built, high-priced solutions out there, and they severely limit your ability to scale.



## 2. Outsource Drone Pilots

Outsourcing drone pilots will give an immediate return and is always an option alongside a full drone program when you need extra hands. Basically, you hire drone pilots who gather all the claim data you need and deliver it to you, much the way ladder assist companies do. Some options (such as [Drone Assist](#)), even offer a way for you to get a fully adjusted claim, using drone-captured data. Here's a look at the benefits and costs.

### Benefits



#### Reduce cost of ladder assists by 50%

Drone inspections are often more cost-effective than ladder assists (instead of as much as \$400 for a ladder assist, you pay as little as \$200) and offer more detailed, accurate, and current data than reports derived from satellite or high-altitude imagery.



#### 20% cost savings by replacing staff adjusters

At 720 closed claims a year at an average adjuster's salary, you pay \$117.25 per claim. With an on-demand inspection, you can pay \$95 on top of a drone-based inspection to get a fully adjusted claim.



#### Scale-up operations

Maybe you're responding to CAT, maybe you have more policies in force and need more hands in the field. Keeping on top of high volumes of claims will help you make sure customers stick around.



#### Reallocate adjuster labor

Instead of having adjusters spend the majority of their time in the field and less time on claims, you can have them focused fully on desk adjusting while pilots feed them the claim data they need.



#### Adjust fewer roof claims yourself

Maybe your company wants to focus less on roof claims and more on other elements of the customer experience. You have the option to let someone else handle those and reallocate resources as you please.



## Cost Considerations

To figure your annual cost for on-demand drone inspections, ask yourself these questions:

- How many yearly inspections require a ladder assist or measurement report?
- What's the average cost per inspection using a drone inspection vs. a ladder assist?
- During seasons of hail, hurricanes, or times of high claim volumes, how many inspections require third parties (ladder or drone assists, aerial measurements, etc.)?

With these numbers in mind, it should be simple to estimate your total annual cost.



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# Should I Create a Program...

## DIY Drone Program

Developing an effective drone program is a long-term effort, but it's ultimately the most viable, most cost-effective option.

### Pros

- **Hardware Ownership**  
You own all your hardware.
- **Access to Inspection Data**  
You have access to the raw inspection data and can plan for how it informs your business, and how you use it in your workflows.
- **Control of Internal Policies**  
You can develop policies for how flights are conducted, how data is stored and accessed, and anything you wish.
- **Marketing, PR, and Competitive Advantages**  
Drone solutions look good on your portfolio as a carrier. They prove you're using the latest tech to provide customers with the best possible experience.

### Cons

- **More Up-front Investment**  
A drone program will require a significant investment of time and money depending on how many drones you'll deploy.
- **More Corporate Coordination**  
Getting approval for a large-scale drone program can be tough. You'll likely need approval from everyone from I.T. and ops teams to claims executives, adjusters, the C-suite, and other key stakeholders.
- **Can Be a Slow Process**  
Between getting approvals, testing solutions, and training pilots, getting a new drone program off the ground can take between 3 and 12 months.
- **Opportunity Cost**  
Trying new solutions often requires new users to spend part of their time evaluating or learning the solution, which means they'll lose some productivity until the solution becomes standard.



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# ...or Should I Outsource...

## Hiring On-Demand Drone Pilots

Using on-demand drone pilots will give you immediate ROI for little investment, and it's a good replacement for ladder assists.

### Pros

- **Test With Minimal Resources**  
Ordering a drone inspection lets you test out a solution with minimal up-front cost. If you're hoping to evaluate the data a drone inspection solution gives you, this is a great way to do it.
- **Less Red Tape**  
Unlike a full program, ordering a drone inspection requires far less internal negotiating than a full drone program.
- **Mobilization**  
Drone inspections let you call and get the data you need quickly. This lets you scale up if demands are high, such as during a CAT scenario.
- **Coverage to Meet SLAs**  
You still need to meet your SLAs when you're in a crunch. On-demand inspections help you keep up.
- **Great Return on Short-Term Cost**  
As a replacement to ladder assists, you get a great return for a low cost.

### Cons

- **Less Customer Experience Control**  
With an on-demand inspection, you're relying on someone else to take care of your policyholders. That's why it's essential for you to find high quality pilots who will give them an excellent experience.
- **Less Policy Control**  
How and when you receive data will depend on the specific vendor, which affects what goes in various policies.
- **Reliance on Third Parties**  
Relying on third parties can be great, but it can also lead to trouble if they're not delivering on their promises. Be sure to find vendors with solid service agreements who always deliver on time.

## ...or Should I Do Both?



# Two Ways to Add Drone Tech to Your Insurance Budget

## USE DRONES IN-HOUSE

Equip adjusters with automated drones to make inspections and desk adjustments cheaper and more efficient.



- Full control of drone program
- Maximum long-term ROI
- More effort

## OUTSOURCE DRONE INSPECTIONS

① Use a platform of highly trained pilots and adjusters to gather claim data (images and measurements) or ② Receive a fully adjusted claim.



- Immediate scalability
- Instant ROI
- Plug and play

### SUMMARY

 3-12 MONTHS

### TIME TO IMPLEMENT

 START NOW

- Drone Hardware
- Subscriptions
- Maintenance
- Training
- Insurance

### COST CONSIDERATIONS

- \$200-\$295 per structure
- Replace annual ladder assist cost

Finish Inspections  
**UP TO 200% FASTER**

**UP TO 55% LOWER COSTS**  
per claim

### ROI

**REPLACE LADDER ASSIST**

**UP TO 20% SAVINGS**  
replacing staff adjustments

**IMAGING**

Annual license

### OUR SOLUTION

**DRONE ASSIST**

\$200/structure

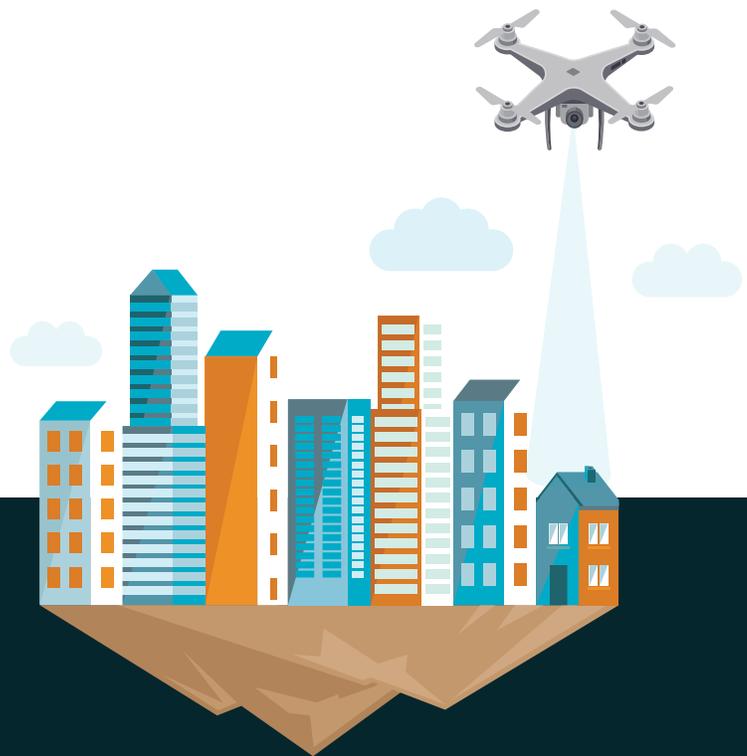
**DRONE ASSIST COMPLETE**

\$295/structure

For more details, contact Bruce Crankshaw at:  
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The goal of this guide was to offer some considerations for anyone putting drone tech in their 2019 budgets. As noted, many carriers will use drone tech both to augment workforces when they're in a crunch, and to increase the output of their existing adjusters. Whatever the case, drone tech offers clear advantages to carriers that take the time to understand where they fit in their claims process.





Loveland Innovations is a team of makers, mavericks, and a few maniacs building leaner, meaner ways to gather and use roof and property information. No corporate nonsense, just get-it-done attitude. Their solutions combine data analytics, A.I., and drone flight to arm carriers and contractors with high-quality data, more speed, and better decision-making power.

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