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COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

## DOMESTIC AND FOREIGN INSURERS BULLETIN NO. 150

**TO: ALL PROPERTY & CASUALTY INSURANCE COMPANIES**

**RE: USE OF UNMANNED AIRCRAFT SYSTEMS IN INSURANCE PRACTICES (AERIAL IMAGERY)**

**DATED: March 21, 2025**

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The purpose of this Bulletin is to provide guidance on the use of aerial imagery captured by Unmanned Aircraft Systems (UAS) in insurance underwriting, claims handling, and other insurance-related activities, while ensuring compliance with Delaware law and fair consumer practices.

### **Background**

The FAA Modernization and Reform Act of 2012 (Pub. L. 112-95) (the Act) was enacted to address the growing need for modernization and efficiency in the U.S. aviation system. The Act aimed to improve air traffic control infrastructure, enhance aviation safety, and safely integrate UAS into the national airspace. Section 332(b) directed the FAA to develop a regulatory framework for civil UAS operations, resulting in the August 29, 2016, addition of Part 107 to Title 14 of the Code of Federal Regulations. Several additional FAA UAS rules have also been promulgated.<sup>1</sup>

In Delaware, commercial UAS operations are authorized under [14 C.F.R. Part 107](#) and governed by [11 Del. C. § 1334](#).

### **Encouraging Innovation While Maintaining Consumer Protections**

The Department recognizes the role of UAS in the insurance industry. UAS have proven to enhance efficiency in claim processing, loss assessments, and underwriting by providing high-resolution aerial imagery and reducing costs associated with traditional inspections. However, insurers must balance these innovations with a commitment to fair consumer treatment, regulatory compliance, and ethical standards.

Although aerial imagery is a useful tool for assessing property conditions, it has inherent limitations, such as image distortion, weather interference, and the inability to capture fine details, which may impact its accuracy and readability. While the Department does not intend to impose broad restrictions on the use of UAS, it emphasizes the following to safeguard consumers, prevent unfair business practices, and ensure underwriting decisions are properly supported:

### **Chapter 41 – Property Insurance Contracts**

The use of aerial imagery for underwriting or claims purposes must align with Chapter 41, which

among other things, governs the denial and nonrenewal of policies. Policyholders must be given proper notice and explanation when UAS imagery contributes to policy denial or nonrenewal.

- **Policy Denial Notification**

- A written explanation of the specific reasons for the declination must be provided to the applicant pursuant to [18 Del. C. § 4122\(a\)](#).

- **Cancellation and Nonrenewal**

*Note:* The Department encourages insurers to provide as much advance notice as possible regarding nonrenewal.

- [18 Del. C. § 4122\(b\)](#) requires that cancellation notices must be delivered or mailed at least 30 days prior to the effective date of the cancellation, or 10 days prior to the effective date of cancellation if cancellation is due to nonpayment of premium, and must include a written explanation of the specific reason for the cancellation.
- For policies in effect for more than 60 days or after the effective date of a renewed policy, the permissible reasons for cancelling a policy is limited to those circumstances identified in [18 Del. C. § 4123](#).
- If an insurer intends to nonrenew a policy, [18 Del. C. § 4122\(c\)](#) requires the insurer to provide at least 30 days' notice of the intention not to renew, which notice must include a written explanation of the insurer's specific reason(s) for nonrenewal.

The Department is aware that roof discoloration has been cited by insurers as a reason for nonrenewal or cancellation. The Department maintains that cosmetic issues, such as discoloration and streaking, do not constitute valid grounds for cancellation. Insurers must provide clear evidence of significant degradation or damage that increases the risk of loss to support a cancellation decision. An insurer must establish not only that a risk has increased but also that the increase is substantial.

It is essential for insurers to provide policyholders with a clear explanation of the specific reasons for policy cancellation or nonrenewal. Nonspecific reasons, such as "claims experience," "underwriting judgment," or "increase in hazard," are unacceptable as they do not provide sufficient notice for the insured to address the underlying issue. Providing detailed reasons enables the insured to address the issue or secure alternative coverage if nonrenewal results from uncompleted repairs.

## **Chapter 23 – Unfair Practices in the Insurance Business**

Insurers using UAS imagery must ensure compliance with [18 Del. C. § 2303](#). Additionally, the Department expects insurers to:

- Ensure that statements regarding the accuracy or completeness of UAS imagery in policy decisions are not deceptive or misleading.
- Safeguard that decisions based on UAS imagery are consistent, objective, and do not lead to discriminatory underwriting practices.
- Maintain transparency by providing customers access to UAS captured imagery used in policy determinations.

The Department recommends that if a customer disputes a finding based on aerial imagery, the insurer should conduct a physical inspection to verify the accuracy of its assessment and ensure that underwriting decisions are properly supported.

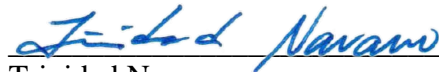
All property and casualty insurers operating in Delaware must ensure that their underwriting and

renewal practices align with this guidance. Failure to comply may result in regulatory review and potential enforcement action as outlined in [18 Del. C. § 329](#).

The Department will continue monitoring UAS technology developments and encourages insurers to adopt best practices, stay informed on regulatory updates, and ensure compliance with Delaware's consumer protection standards.

Questions concerning this Bulletin should be emailed to [compliance@delaware.gov](mailto:compliance@delaware.gov).

This Bulletin shall be effective immediately and shall remain in effect unless withdrawn or superseded by subsequent law, regulation or bulletin.



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<sup>i</sup> See 14 C.F.R. part 107 (Small Unmanned Aircraft Systems); 14 C.F.R. part 89 (Remote Identification of Unmanned Aircraft), see also 14 C.F.R. part 48 (Registration and Marking Requirements for Small Unmanned Aircraft); and 14 C.F.R. § 107.39 and subpart D (Operations Over Human Beings), and 86 Fed. Reg. 4,314 (Jan. 15, 2021), Final Rule, Operation of Small Unmanned Aircraft Systems Over People.

*NOTE: This Bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers should consult applicable statutes and rules and contact the Delaware Department of Insurance if additional information is needed.*

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