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Protection of vehicle floorplans and fleets against hail

The need to address the problem of mounting hail-related insurance claims in Canada could not be more pressing, as the industry will surely see more hail damage in Canada going forward. This, not necessarily because of any projected increase in frequency of hail, but due to increased concentration of values and growing costs of replacing damaged property.

Hail is a large driver of loss and damage to vehicles.

Insurers of auto dealerships, rental car operations and/or companies with large maintenance and/or service fleets need to consider not only the physical damage that can occur to large quantities of vehicles due to hail, but also must take into account the potential for large business interruption claims due to loss of use.

Photo of fire-retardant vinyl car shelter systems provided by Calgary-based Warner Shelter Systems Limited. WSSL has provided hail protection for several dozen new car dealerships in the Calgary area.

Getting under cover

When it comes to protection of vehicles in high-risk hail zones, the simplest and most common form of mitigation is to get vehicles under cover prior to a storm.

In the case of vehicle floorplans (i.e. inventories of vehicles at new car dealerships), used car lots, rental car operations and corporate maintenance/service fleets, as many vehicles as possible should be kept under cover at all times, as moving large numbers of vehicles in the run-up to storm would be unrealistic. Consideration should also be given to secondary storage lots for new car inventories

It should be noted that, generally speaking, vehicles that remain "unplated" (eg. unsold new cars) fall under the dealership's property insurance policy, while "plated" vehicles (like demonstrators and executive vehicles) would fall under the operation's garage policy.

Permanent cover to protect vehicle inventories and fleets from hail can take various shapes and forms and range from being very basic to quite complex in design and construction.

However, when use of permanent structures is not desirable or possible, options may also include temporary or semi-permanent hail protection and shade systems.

Several companies manufacture and market vehicle hail protection covers. Most of them are made of netting. These are usually seasonal depending on the climate and location. These structures can commonly be seen at rental car lots at airports where severe hailstorms are prevalent, like Dallas-Fort Worth, auto manufacturing plants, car dealerships and where large corporate maintenance/service fleets are parked. Only a few companies manufacture structures that protect vehicles against the sun's harmful UV rays (an added bonus for new car inventories). These can be set up year round to protect not only for hail but also for such hazards as snow and ice.

While it is common for insurers in places like Texas to financially incentivize use of protective structures for vehicles (i.e. through premium discounts and/or lower deductibles), the practice is not utilized in Canada. Rather, hail damage in such places as Calgary and area has been so acute in recent years, that many insurers either no longer offer property coverage for car dealerships and owners of large fleets, or offer coverage but exclude the peril of hail. Additionally, those companies that still offer coverage have largely eliminated use of aggregate deductibles switching, instead, to per vehicle deductibles that can be quite high in high risk hail zones.

Dealerships that have opted to install hail structures to protect their inventories have often done so to guard against losing their coverage and avoid the payment of high per vehicle deductibles.

Institute for Catastrophic Loss Reduction

Mission

To reduce the loss of life and property caused by severe weather and earthquakes through the identification and support of sustained actions that improve society's capacity to adapt to, anticipate, mitigate, withstand and recover from natural disasters.

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