

Staff Report



Corporate Services Department

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REPORT TO: Council Meeting

DATE OF MEETING: June 23, 2025

SUBMITTED BY: Amanda Fusco, Director of Legislated Services, 519- 904-1402

PREPARED BY: Kristin VanDerGeld, Manager of Licensing, 519-904-5605

WARD(S) INVOLVED: ALL

DATE OF REPORT: June 11, 2025

REPORT NO.: COR-2025-288

SUBJECT: Supplemental Report to Short-Term Rental By-law Report COR-2025-041

RECOMMENDATION:

For information.

REPORT HIGHLIGHTS:

- The purpose of this report is to provide additional information related to the insurance requirements proposed in the Short-Term Rental By-law as requested by Council at the June 2, 2025, Finance and Corporate Services Committee meeting
- The key finding of this report is that standard homeowner's insurance policies do not cover short-term rentals, that failure to disclose a short-term rental operation can void a standard homeowner's policy for failure to disclose a material change in risk, and that the City's insurance requirements should not add costs beyond that which is already required to secure appropriate coverage for a short-term rental operation.
- Staff continue to recommend the Short-Term Rental By-law as proposed through report [COR-2025-041](#) and supported by public engagement.
- This report supports Building a Connected City Together: Focuses on neighbourhoods; housing and ensuring secure, affordable homes; getting around easily, sustainably and safely to the places and spaces that matter.

BACKGROUND:

On June 2, 2025, the Finance and Corporate Services Committee reviewed report [COR-2025-041](#) (Short-Term Rental By-law), which outlined a proposed licensing framework to regulate short-term rentals through a dedicated by-law. The proposed regulations have received broad support from residents, stakeholders and short-term rental (STR) owners/hosts based on prior engagement. At the meeting, staff were directed to gather additional information regarding the proposed insurance requirements and the associated costs for STR owners/hosts to comply with this aspect of the by-law given questions and concerns raised by delegations.

REPORT:

Following the discussion on June 2, 2025, staff, in collaboration with the Waterloo Region Municipalities Insurance Pool, conducted additional research into insurance requirements and associated costs. This included consultations with various insurance brokers and the Insurance Bureau of Canada. It became clear that:

- 1) A standard homeowner's insurance policy **does not** provide coverage for short-term rental (STR) operations
- 2) Operating an STR requires specialized insurance, which typically involves higher premiums due to the increased risk.
- 3) Failing to disclose STR activity to an insurer constitutes a material change in risk and can **void liability coverage** in the event of a claim.

Traditional insurers typically avoid covering short-term rentals (STRs) due to the heightened risk, meaning operators must seek coverage through the specialty insurance market.

A review of relevant case law including [Tiny Township Association v Township of Tiny](#) and [Munir v. Garg](#) confirms that STRs are considered a business. These rulings support the need for inspections and insurance requirements to protect the health, safety, and well-being of renters and the surrounding community, while also ensuring consumer protection. Although staff are not recommending the publication of STR owner information on the City's public-facing website, it has been confirmed that the collection and publication of personal information under a licensing by-law does not contravene the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) as the properties are being used for business purposes.

As part of the proposed by-law, staff recommend requiring short-term rental license applicants to provide proof of adequate insurance coverage, with the City named as an additional insured. Applicants would also need to submit a signed indemnity in favour of the City. Through discussions following the committee meeting it became clear there was some confusion on the part of delegates surrounding the indemnity, as they indicated that securing a "blanket indemnity" would add considerable cost. To be clear, this is not a blanket indemnity; it only applies when losses arise from, or are alleged to arise from, the licensee's negligence, breach of contract, or violation of the law. These requirements were developed in consultation with the Waterloo Region Municipalities Insurance Pool, which advised their inclusion to help protect all parties involved in short-term rentals—namely, property owners, renters, and the City.

Furthermore, it is commonplace for municipalities to be made "additional insureds" on business activities. Similar provisions exist in the City's other licensing by-laws, such as the Business Licensing By-law and the Lodging House By-law. However, STR owners and hosts have expressed concern that the insurance requirements may lead to a significant increase in their insurance premiums.

We Heard	We Learned
Adding the City as an additional insured increases costs for the STR owner.	A standard homeowner’s insurance policy <u>does not</u> provide coverage for short-term rental (STR) operations. Operating an STR requires specialized insurance, which typically involves higher premiums due to the increased risk. Failing to disclose STR activity to an insurer constitutes a material change in risk and can <u>void liability coverage</u> in the event of a claim. Adding an additional insured does not affect premiums; rates are determined by the risks associated with STR use. This specialized insurance <u>is necessary regardless of whether a municipal licence is in place.</u>
Indemnification leads to increased costs for the STR owner.	The indemnification <u>does not</u> increase premiums. Requiring indemnification may expose to an insurer that adequate insurance is not in place resulting in speciality insurance being required, which typically involves higher premiums. The proposed application requirements contain a certificate of insurance template to assist with data collection and reduce the time required to draft the indemnification certificate. This template is currently used to satisfy insurance requirements associated with Lodging House applications.
Delegates offered to provide quotes to illustrate significant increase in insurance premiums.	Since June 2024, only a couple of STR owners have submitted policy information. While some of them do have STR coverage, any increase does not appear to be attributable to the addition of the City as an additional insured/indemnity.
STRs impact the availability long term housing.	The proposed STR By-law functions in a similar way to Rental Replacement and Renoviction By-laws, aiming to help preserve the existing housing stock. Licensing allows for data collection to help to track trends such as the impact on long-term housing.

In conclusion, based on outreach completed since the previous meeting, the key finding is that the City’s insurance requirements should not add costs to a STR operator provided they already have adequate insurance in place. If an operator is under-insured, their homeowner’s policy may be voided in the event of a claim, which represents a concern from a public safety and consumer protection perspective. This is one of the reasons for the City to require proof of insurance and to enter into a licensing program for short-term rentals.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – The recommendation has no impact on the Operating Budget.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

CONSULT – Staff consulted with various insurance professionals, brokers, and Insurance Bureau of Canada.

PREVIOUS REPORTS/AUTHORITIES:

- [Short-Term Rental By-law COR-2025-041](#)

APPROVED BY: Victoria Raab, General Manager Corporate Services

ATTACHMENTS: None.