



Insurers offer alternative to hefty rental deposits

by Malcolm Curtis

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As if housing costs are not already expensive enough, many residents in Switzerland face costly damage deposits equivalent to three times the monthly rent when they move into a new apartment. Swisscaution, a federally certified insurance company based in Vaud, offers an alternative that provides a guarantee for landlords while freeing up cash for tenants in return for a small annual fee, with other companies now

offering similar deals.

The high cost of rental housing in many parts of Switzerland is made even more daunting by the hefty damage deposits required up front and in cash by real estate management companies.

Most landlords in large cities ask for three months' rent for security, in addition to a payment for the first month, although this can be avoided through a service - little known to many expats - provided by specialized insurance firms.

These companies provide a guarantee that frees up the deposit, which would otherwise be blocked in a bank, in return for an annual premium, an initiation fee and administrative costs.

[Swisscaution](#) is the oldest and biggest firm in Switzerland to offer the service in what is a relatively young industry that continues to grow, despite the economic slowdown.

The appeal is to people who would rather use their money to buy furniture or for other purchases rather than putting the sum into a bank account to which they have no access, said Alexandra Ranzoni, marketing and communication co-ordinator for the company based in Bussigny, near Lausanne.

"If people move to a new flat they can find that their deposit is still blocked and they have to come up with another one," Ranzoni told Swisster. "They have to save up a lot of money and when it is in the bank it does not earn much interest."

Swisscaution can also provide guarantees to renters who have already paid a deposit, freeing up cash otherwise frozen in bank accounts.

Founded in the canton of Vaud in 1991 by French expat entrepreneur Bernard Blanc, the insurer has developed a relationship with 2,000 real estate management companies across Switzerland that accept the company's guarantee (up to 15,000 francs) in lieu of a deposit.

Swisscaution charges a five percent annual premium. So someone renting an apartment for, say, 3,000 francs a month, would pay 450 francs a year to avoid paying a deposit of potentially 9,000 francs.

The company charges an initiation fee of 231 francs in the first year before levying the premium and an annual administrative fee of 20 francs in following years, both of which are subject to a five percent federal tax.

Blanc, a resident of St. Prex (Vaud), last year sold the company to a fellow expat French businessman Yann Guyonvarc'h, who lives in the same community, west of Lausanne. The company has recently expanded its offerings to cover deposits for commercial leases, targeted at small businesses looking to reduce their up-front expenses.

Other companies have emerged to offer similar services, such as [FirstCaution](#) and [Immocaution](#). Like Swisscaution, these companies are certified by FINMA, Switzerland's financial market supervisory authority.

"The business has grown as accommodation has become more expensive," Ranzoni said, noting that idea of guaranteeing rental damage deposits is better known in French-speaking Switzerland than in regions of the country.

In German-speaking Switzerland, landlords in smaller communities often waive the need for a damage deposit, she said. "They trust the people to pay the rent."

But in larger cities such as Zurich and Basel deposits are the norm and Swisscaution is finding customers there. The company has opened an office in Zurich and also serves customers in Italian-speaking Switzerland.

Swisscaution works with relocation companies but Ranzoni said many expats may be unaware of rental guarantee insurance. Often managers recruited to Switzerland by multinational companies benefit from employers who take care of housing arrangements, but independent workers and professionals may find the guarantee option useful, she indicated.

"One of the advantages is that we accept a lot of people without the restrictions that banks impose (for financing)," Ranzoni said. Rental guarantees are available to foreigners with B or C permits, Swiss citizens and citizens of the European Union who have a job contract of at least one year.

Otherwise, the requirements are minimal: an ID card and a copy of the lease are all that is necessary.

For property owners, Swisscaution guarantees direct payment of any repairs needed when a tenant leaves, or unpaid rent. The company takes on the responsibility of collecting the money from the tenant and can make arrangements for repayments terms through instalments, Ranzoni said.

There are only rare cases when tenants try to abscond without paying for what they owe, she said. Swisscaution, which employs 32 people, has a department that screens potential customers to weed out those with poor credit histories.

The company's website provides more details in English, as well as five other languages, including Spanish and Portuguese, in addition French, German and Italian. For more information click [here](#).