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Deposit Insurance

The deposit insurance system in India is subject to the Provisions of Deposit Insurance Act (enacted in 1961). Deposit Insurance and Credit Guarantee Corporation (DICGC) is the body that operates the deposit insurance system.

Q1 Which banks are insured by the DICGC?

Commercial Banks: All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.

Cooperative Banks: All State, Central and Primary cooperative banks, also called urban cooperative banks, functioning in States / Union Territories which have amended the local Cooperative Societies Act empowering the Reserve Bank of India (RBI) to order the Registrar of Cooperative Societies of the State / Union Territory to wind up a cooperative bank or to supersede its committee of management and requiring the Registrar not to take any action regarding winding up, amalgamation or reconstruction of a co-operative bank without prior sanction in writing from the Reserve Bank are covered under the Deposit Insurance Scheme. At present all co-operative banks other than those from the States of Meghalaya, Mizoram, Nagaland, and the Union Territories of Chandigarh, Lakshadweep and Dadra & Nagar Haveli are covered under the deposit insurance scheme of DICGC.

Primary cooperative societies are not insured by the DICGC.

Q2 What does the DICGC insure?

In the event of a bank failure, DICGC protects bank deposits that are payable in India. The DICGC insures all deposits such as savings, fixed, current, recurring, etc. except the following types of deposits (i) Deposits of foreign Governments; (ii) Deposits of Central/State Governments; (iii) Inter-bank deposits; (iv) Deposits of the State Land Development Banks with the State co-operative bank; (v) Any amount due on account of deposit received outside India; (vi) Any amount, which has been specifically exempted by the Corporation with the previous approval of Reserve Bank of India.

Q3 What is the maximum deposit amount insured by the DICGC?

Presently, deposits of each depositor in a bank is insured upto a maximum of Rs.1,00,000 (Rupees One Lakh) for both principal and interest amount held by him **"in the same right and same capacity"** as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.

Q4 How will I know whether my bank is insured by the DICGC or not?

The DICGC while registering the banks as insured banks furnishes them with printed leaflets for display giving information relating to the protection afforded by the Corporation to the depositors of the insured banks. In case of doubt, depositor should make specific enquiry from the bank's officials in this regard or visit DICGC website on the web address www.dicgc.org.in.

What is the ceiling on amount of Insured deposits kept by one person in

Q5 different branches of a bank?

The deposits kept by one person in different branches of a bank are aggregated for the purpose of insurance cover and presently a maximum amount upto Rupees one lakh is paid.

Q6 Does the DICGC insure just the principal deposit amount or both principal and accrued interest?

The DICGC insures principal and interest upto a maximum amount of Rs. One lakh. For example, if an individual had deposit(s) with principal amount of Rs.95,000 plus accrued interest of Rs.4,000, the total amount insured by the DICGC would be Rs.99,000. If, however, the principal amount were Rs. One lakh, the accrued interest would not be insured, not because it was interest but because the amount was over the insurance limit.

Q7 Can deposit insurance be increased by depositing funds into several different accounts all at the same bank?

No. All funds held in the same type of ownership at the same bank are added together before deposit insurance is determined. If the funds are in different types of ownership or are deposited into separate banks they would then be separately insured.

Q8 What is a single ownership account?

A single (or individual) ownership account is an account owned by one person. Such accounts include those in the owner's name; those established for the benefit of the owner by agents, nominees, guardians, custodians, or conservators; and those established by a business that is a sole proprietorship.

Q9 Are deposits in different banks separately insured?

Yes. If you have deposits with more than one bank, deposit insurance coverage limit is applied separately to the deposits in each bank.

Q10 If I have deposits at two different banks, and those two banks are closed on the same day, are my funds added together, or insured separately?

Your funds from each bank would be insured separately, regardless of the date of closure.

Q11 What is the meaning of deposits held in the same right and capacity and different right and capacity?

If a person opens in his name more than one account in a bank, for example Mr. K.A.Pandit opens one savings account and one or more fixed deposit accounts, all the accounts are considered in the same right and same capacity and insurance coverage is limited to a maximum of Rupees one lakh. But if Mr. K.A.Pandit opens a joint account, the joint account is considered in a different right and different capacity and insurance coverage is provided separately. Each joint account is insured separately from any deposits individually owned by the joint depositors. Each joint account owned by a combination of different persons is insured upto Rupees one lakh. All joint accounts owned by the combination of same persons are added together and the combined total is insured upto Rupees one lakh.

Illustrations					
Deposits held in different capacities					
	Savings	Current	FD	Total	Deposits
	A/C	A/C	A/C	Deposits	Insured
Shri S. K. Pandit	17,200	22,000	80,000	1,19,200	1,00,000
(Individual)					
Shri S. K. Pandit		75,000	50,000	1,25,000	1,00,000
(Partner of ABC & Co.)					
Shri S. K. Pandit	7,800		80,000	87,800	87,800
(Guardian for Master Ajit)					
Shri S. K. Pandit		2,30,000	45,000	2,75,000	1,00,000
(Director, J.K. Udyog Ltd.)					

Deposits held in joint accounts		
Account (i)	First a/c holder - "Shri A. K. Sharma"	Maximum insured amount upto
	Second a/c holder - "Smt. B. Sharma"	Rs.1 lakh
Account (ii)	First a/c holder - " Shri A. K. Sharma"	Maximum insured amount upto
	Second a/c holder - "Shri P. Sharma"	Rs.1 lakh
Account (iii)	First a/c holder - "Smt. B. Sharma"	The a/c will be clubbed with the
	Second a/c holder-"Shri A. K. Sharma"	a/c at (i)
Account (iv)	First a/c holder - "Shri A. K. Sharma"	Maximum insured amount upto
	Second a/c holder - "Smt. B. Sharma"	Rs.1 lakh
	Third a/c holder - "Shri P. Sharma"	
Account (v)	First a/c holder - "Smt. B. Sharma"	The a/c will be clubbed with the
	Second a/c holder - "Shri P. Sharma"	a/c at (iv)
	Third a/c holder - "Shri A. K. Sharma"	

Q12 Can the bank deduct the amount of dues payable to it by the depositor?

Yes. Banks have the **right to set off** their dues from the amount of deposits. The deposit insurance is available after netting of such dues.

Q13 Who pays the cost of deposit insurance?

Deposit insurance premium is borne entirely by the insured bank.

Q14 When is the DICGC liable to pay?

If a bank goes into liquidation: The DICGC is liable to pay to each depositor through the liquidator, the amount of his deposit upto Rupees one lakh within two months from the date of receipt of claim list from the liquidator.

If a bank is reconstructed or amalgamated / merged with another bank: Where in respect of an insured bank a scheme of compromise or arrangement or of reconstruction or amalgamation has been sanctioned by any competent authority and the said scheme provides for each depositor being paid or credited with, on the date on which the scheme comes into force, an amount which is less than the original amount and also the specified amount, the Corporation shall be liable to pay to every such depositor in accordance with the provisions of section 18 of DICGC Act an amount equivalent to the difference between the amount so paid or credited and the original amount, or the difference between the amount so paid or credited and the specified amount, whichever is less:

Provided that where any such scheme also provides that any payment made to a depositor before the coming into force of the scheme shall be reckoned towards the payment due to him under that scheme, then the scheme shall be deemed to have provided for that payment being made on the date of its coming into force.

Q15 Does the DICGC directly deal with the depositors of failed banks?

No. In the event of a bank's liquidation, the liquidator prepares depositor wise claim list and sends it to the DICGC. After scrutiny the DICGC pays the money to the liquidator who is liable to pay to the depositors. In the case of amalgamation / merger of banks, the amount due to each depositor is paid to the transferee bank.

Q16 Can any insured bank withdraw from the DICGC coverage?

No. The deposit insurance scheme is compulsory and no bank can withdraw from it.

Q17 Can the DICGC withdraw deposit insurance cover from any bank?

The Corporation may cancel the registration of an insured bank if it fails to pay the premium for three consecutive half year periods. In the event of the DICGC withdrawing its cover from any bank for default in the payment of premium the public will be notified through newspapers.

Registration of an insured bank stands cancelled if the bank is prohibited from accepting fresh deposits; or its licence is cancelled or a licence is refused to it by the Reserve Bank; or it is wound up either voluntarily or compulsorily; or it ceases to be a banking company or a co-operative bank within the meaning of Section 36A(2) of the Banking Regulation Act, 1949; or it has transferred all its deposit liabilities to any other institution; or it is amalgamated with any other bank or a scheme of compromise or arrangement or of reconstruction has been sanctioned by a competent authority and the said scheme does not permit acceptance of fresh deposits. In the event of the cancellation of registration of a bank, deposits of the bank remain covered by the insurance till the date of the cancellation.

Q18 What will be the Corporation's liability on de-registration of banks ?

The Corporation has deposit insurance liability on liquidation etc. of "insured banks" i.e. banks which have been de-registered (a) on account of prohibition on acceptance of fresh deposits or (b) on cancellation of license or where it is found that license can not be granted. The liability of the Corporation in these cases is limited to the extent of deposits as on the date of cancellation of registration of bank as an insured bank subject to the monetary ceilings applicable.

On liquidation etc. of other de-registered banks i.e. banks which have been de-registered on other grounds such as non payment of premium or their ceasing to be eligible cooperative banks under section 2(gg) of the DICGC Act, 1961, the Corporation has no liability.

(Website : www.dicgc.org.in)