

A Guide to Deposit Insurance

1. 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 RBI are covered under the Deposit Insurance Scheme. At present all co-operative banks are covered by the DICGC.

Primary cooperative societies are not insured by the DICGC.

2. What does the DICGC insure?

- The DICGC insures all deposits such as savings, fixed, current, recurring, etc. deposits except the following types of deposits
- Deposits of foreign Governments;
- Deposits of Central/State Governments;
- Inter-bank deposits;
- Deposits of the State Land Development Banks with the State co-operative bank;
- Any amount due on account of and deposit received outside India
- Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India

3. What is the maximum deposit amount insured by the DICGC?

Each depositor in a bank is insured upto a maximum of ₹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.

4. How will you know whether your 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 branch official in this regard.

5. What is the ceiling on amount of Insured deposits kept by one person in different branches of a bank?

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

6. Does the DICGC insure just the principal on an account or both principal and accrued interest?

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

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

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.

8. 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.

9. If I have my funds on deposit 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.

10. What is the meaning of deposits held in the same capacity and same right; and deposits held in different capacity and different right?

If an individual opens more than one deposit account in one or more branches of a bank for example, Shri S.K. Pandit opens one or more savings/current account and one or more fixed/recurring deposit accounts etc., all these are considered as accounts held in the same capacity and in the same right. Therefore, the balances in all these accounts are aggregated and insurance cover is available upto rupees one lakh in maximum.

If Shri S.K. Pandit also opens other deposit accounts in his capacity as a partner of a firm or guardian of a minor or director of a company or trustee of a trust or a joint account, say with his wife Smt. K. A.

Pandit, in one or more branches of the bank then such accounts are considered as held in different capacity and different right. Accordingly, such deposits accounts will also enjoy the insurance cover upto rupees one lakh separately.

It is further clarified that the deposit held in the name of the proprietary concern where a depositor is the sole proprietor and the amount of Deposit held in his individual capacity are aggregated and insurance cover is available upto rupees one lakh in maximum.

Illustrations

| | Savings A/C | Current A/C | FD A/C | Total Deposits | Deposits Insured upto |
|---|------------------------|------------------------|-------------------|---------------------------|----------------------------------|
| Shri S. K. Pandit (Individual) | 17,200 | 22,000 | 80,000 | 1,19,200 | 1,00,000 |
| Shri S. K. Pandit (Partner of ABC & Co.) | | 75,000 | 50,000 | 1,25,000 | 1,00,000 |
| Shri S. K. Pandit (Guardian for Master Ajit) | 7,800 | | 80,000 | 87,800 | 87,800 |
| Shri S. K. Pandit (Director, J.K. Udyog Ltd.) | | 2,30,000 | 45,000 | 2,75,000 | 1,00,000 |
| Shri S. K. Pandit jointly with Smt. K. A. Pandit | 7500 | 1,50,000 | 50000 | 2,07,500 | 1,00,000 |

Deposits held in joint accounts (revised w.e.f. April 26, 2007)

If more than one deposit accounts (Savings, Current, Recurring or Fixed deposit) are jointly held by individuals in one or more branch of a bank say three individuals A, B & C hold more than one joint deposit accounts in which their names appear in the same order then all these accounts are considered as held in the same capacity and in the same right. Accordingly, balances held in all these accounts will be aggregated for the purpose of determining the insured amount within the limit of ₹ 1 lakh.

However, if individuals open more than one joint accounts in which their names are not in the same order for example, A, B and C; C, B and A; C, A and B; A, C and B; or group of persons are different say A, B and C and A, B and D etc. then, the deposits held in these joint accounts are considered as held in the different capacity and different right. Accordingly, insurance cover will be available separately upto rupees one lakh to every such joint account where the names appearing in different order or names are different.

Illustrations

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|--|---|--|
| Account (i) (Savings or Current A/C) | First a/c holder - "A" Second a/c holder - "B" | Maximum insured amount upto ₹1 lakh |
| Account (ii) | First a/c holder - "A" Second a/c holder - "C" | Maximum insured amount upto ₹1 lakh |
| Account (iii) | First a/c holder - "B" Second a/c holder - "A" | Maximum insured amount upto ₹1 lakh |
| Account (iv) at Branch 'X' of the bank | First a/c holder - "A" Second a/c holder - "B" Third a/c holder - "C" | Maximum insured amount upto ₹1 lakh |
| Account (v) | First a/c holder - "B" Second a/c holder - "C" Third a/c holder - "A" | Maximum insured amount upto ₹1 lakh |
| Account (vi) (Recurring or Fixed Deposit) | First a/c holder - "A" Second a/c holder - "B" | The account will be clubbed with the a/c at (i) |
| Account (vii) At Branch 'Y' of the bank | First a/c holder - "A" Second a/c holder - "B" Third a/c holder - "C" | The account will be clubbed with the a/c at (iv) |
| Account (viii) | First a/c holder - "A" Second a/c holder - "B" Third a/c holder - "D" | Maximum insured amount upto ₹1 lakh |

11. Can the bank deduct the amount of dues payable 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.

12. Who pays the cost of deposits insurance?

Deposit insurance premium is borne entirely by the insured bank.

13. 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: The DICGC pays the bank concerned, the difference between the full amount of deposit or the limit of insurance cover in force at the time, whichever is less and the amount received by him under the reconstruction / amalgamation scheme within two months from the date of receipt of claim list from the transferee bank / Chief Executive Officer of the insured bank/transferee bank as the case may be.

14. Does the 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 for scrutiny and payment. 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.

15. Can any insured bank withdraw from the the DICGC coverage?

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

16. Can the DICGC withdraw deposit insurance coverage from any bank?

The Corporation may cancel the registration of an insured bank if it fails to pay the premium for three consecutive periods. In the event of the DICGC withdrawing its coverage 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 receiving fresh deposits; or its licence is cancelled or a licence is refused to it by the RBI; 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.

17. What will be the Corporation's liability to the banks on de-registration.

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 receiving fresh deposits or (b) on cancellation of license or 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.

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 co-operative banks under section 2(gg) of the DICGC Act, 1961, the Corporation will have no liability.

Notice : Information given above is to convey the basic provisions of the deposit insurance scheme of the Corporation. The information is of a non-technical nature and is not intended to be a legal interpretation of the deposit insurance scheme.