

DEPOSIT INSURANCE

FAQ ON DEPOSIT INSURANCE.

Which Banks are governed?

1. All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.
2. All eligible co-operative banks other than those from the State of Meghalaya and the Union Territories of Chandigarh, Lakshadweep and Dadra and Nagar Haveli are covered under the deposit insurance system of DICGC.
3. Primary cooperative societies, Non-banking Financial Companies (NBFCs), Mutual Funds etc. are not insured by the DICGC.

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:

- 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 any deposit received outside India.
- Any amount, which has been specifically exempted by the Corporation with the previous approval of Reserve Bank of India

What is the Maximum deposit amount insured by the DICGC?

Each depositor in a bank is insured up to a maximum of Rs. 500,000 (Rupees five Lakh) for both principal and interest amount held by him in the same capacity and same right as on the date of liquidation/cancellation of bank's license or the date on which the scheme of amalgamation/merger/reconstruction comes into force.

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 branch official in this regard.

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.

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.

Can any insured bank withdraw from the DICGC coverage?

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

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 half year periods or its license is cancelled etc. 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.

What is the meaning of deposit 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 e.g., 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 maximum insurance cover is available up to rupees five lakh.

If Shri S. K. Pandit holds 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 up to rupees five 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 deposit held in his individual capacity are aggregated and insurance cover is available up to rupees five lakh in maximum.

Deposits held in joint accounts

If more than one deposit account is held jointly by individuals in one or more branches of a bank say three individuals A, B and C hold more than one joint deposit account 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.

However, if individuals open more than one joint account in which their names are not in the same order for example, A, B and C; C, B and A; C, A and B then the deposits held in these joint accounts are considered as held in the different capacity and different right.

If a bank goes into Liquidation?

Each depositor gets directly through the liquidator amount of his deposit up to Rs 5 Lakh.

Do depositors pay for insurance cover?

No, depositors do not pay anything for the insurance cover provided in respect of deposits kept in banks.

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