

# BHARAT SCHOOL OF BANKING

## Deposit Insurance - DICGC

Customers **deposit** their **money** in **banks** to avail several services provided to them by their respective banks. But what if the **bank** itself **fails**, or **merges** with another bank, or it becomes cease to exist? What will happen to the **valuable deposits** of the **customers**?

Considering these, **bank deposits** are provided with **insurance covers** in most of the **banking systems** in the world. **India** is no exception. However, the **insurance** cover may be in **full** or **part**.

### Deposit Insurance in India

All the banks operating in **Indian territory** (with some exceptions) are covered under the **deposit insurance** facility provided by **Deposit Insurance and Credit Guarantee Corporation (DICGC)**, a fully owned **subsidiary** of **RBI**. It established on **July 15, 1978** with **Deposit Insurance and Credit Guarantee Corporation Act, 1961**.

**DICGC** insures all **bank deposits** (including **saving, current, fixed, recurring**) up to a **maximum limit** of **Rs. 1 lakh** (principal with interest).

### Banks insured under DICGC

- **Commercial banks** - Public sector banks, Private Sector Banks, Foreign Banks operating in Indian territory, Regional Rural Banks, Local Area Banks
- **Cooperative banks** - State, Central and Primary Cooperative Banks (collectively called **Urban Cooperative Banks**, or **UCB**) that have amended **Cooperative Societies Act**, empowering **RBI** to control them

Currently approx. **2,130 banks** are **insured** by **DICGC**.

### Not covered under DICGC

- Cooperative banks operating in **Meghalaya, Chandigarh, Lakshadweep** and **Dadra & Nagar Haveli**
- **Primary Cooperative Societies**

### Insurance coverage

**DICGC** protects **bank deposits** that are payable in **India**, including **savings, current, fixed, recurring**, etc. **except** the following deposits -

- Foreign government deposits
- Central and state government deposits
- Inter-bank deposits, etc.

Note that this **insurance** is aimed to cover individual customer deposits or small business with maximum cover up to **Rs. 1 lakh**. Therefore the above **exceptions** are justified.

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### Insurance Premiums

Customers need not pay any **premium** to insure their deposits. **DICGC** charges a nominal **premium** from the **banks**. Customer **deposits** are automatically (from the customer's point of view) **insured** when they open any kind of **deposits** with the **bank**.

### Insurance Claim

In case of a **bank failure**, **customers** need not make any **claim** under **deposit insurance** (in contrast to other **insurances**, where **insurance claim** is needed).

The **official liquidator** would make a **claim** on customers' **behalf** to the **DICGC**. **DICGC** is bound to pay the **valid insurance claim** within **2 months** period from **receipt** of claim from the liquidator. The liquidator then provides the claim amount to each **customer**.

### When DICGC is liable to pay

- If a **bank** goes into **liquidation** (fails)
- If a **bank** is **reconstructed** or **amalgamated** / **merged** with **another bank**