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Risk-Based Deposit Insurance Premium System for Banks to Begin from April 1

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From **April 1, 2026**, banks in India will start paying deposit insurance charges under a new rule.

The Reserve Bank of India (RBI) is **replacing the old flat-fee system with a risk-based system.**

What Was the Old System?

Earlier, **all banks paid the same insurance fee on deposits** — currently 12 paise for every ₹100 of customer deposits.

This was **simple but did not consider how safe or risky a bank was.**

What Is the New Risk-Based System?

The new system will charge banks **different insurance premiums based on how safe and well-run they are.**

Banks will be **graded into categories A, B, C, and D depending** on their financial health, risk profile, asset quality, capital strength, earnings, and liquidity.

How Much Will Banks Pay Now?

Under the new plan:

Safest banks (Category A) will pay as low as 8 paise per ₹100 of deposits.

Weaker banks (Category D) may continue paying the existing 12 paise.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

This means **well-managed banks can save up to around 33%** on insurance costs.

Why Is This Being Done?

To reward safer banks: Better-run banks will pay less.

To encourage better risk management: Banks with stronger finances have an incentive to stay safe.

The basic insurance cover for depositors is not changing — customers will continue to get protection (like ₹5 lakh cover as per current rules).

Special Rules for Some Banks

Some banks, like **payments banks and local area banks**, will continue with the **old flat rate** for now because there isn't enough data to judge their risk.

Cooperative banks under RBI corrective action will join the new system only after restrictions are lifted.

Extra Incentives for Long-Term Good Performance

Banks that have contributed to the insurance fund for a long time without major payout claims can get an extra incentive (called **“vintage incentive”**) — up to 25% bonus on premium calculation.

What is DICGC?

Full form: Deposit Insurance and Credit Guarantee Corporation (DICGC).

What it is: A subsidiary of the Reserve Bank of India (RBI) under the Ministry of Finance.

Main function:

Insures bank deposits of customers in case a bank fails.

Helps maintain trust and stability in the banking system.

Established: 15 July 1978 under the DICGC Act, 1961.

Simple Summary

Old system: Every bank paid the same fee.

New system (from April 1): Banks pay based on how safe and well-managed they are.

Goal: Make the banking system safer and encourage good risk control.