

PUBLIC EDUCATION SERIES - #03/2024 SEPTEMBER 2024

HOW IMPORTANT IS THE INCREASE IN DEPOSIT INSURANCE COVERAGE FROM \$125,000 TO \$200,000 TO ME?

This Note explains the important role of deposit and the change in the coverage from \$125,000 to \$200,000 that will kick in from October 1, 2024. The Note is the third in the Public Education Series introduced by the Central Bank of Trinidad and Tobago to explain important economic concepts and monetary policy actions to a broad audience in simple, non-technical terms. The Central Bank look forward to comments and feedback, as well as topic suggestions for upcoming Notes, at info@central-bank.org.tt.

1. What exactly is deposit insurance?

Deposit insurance offers protection to depositors, up to a certain amount, in case the financial institution in which they put their money, fails. In the case of Trinidad and Tobago at present, the Deposit Insurance Corporation (DIC) will pay out up to \$125,000 to account holders if financial institutions covered by this insurance go out of business and are unable to pay depositors.

The principle is simple and has 3 elements:

- i) By law, the deposits of certain financial institutions (currently commercial banks, finance houses and trust and merchant banks—a full list is available at the DIC's website at <https://dictt.org/deposit-insurance/insured-financial-institutions/> are covered by this insurance;
- ii) These institutions are required to pay premiums for this insurance;
- iii) The DIC, in business since 1986 manages this insurance, collecting premiums and making payouts if necessary.

The idea behind this mandatory deposit insurance is to give confidence to depositors in managing their affairs, thereby promoting stability in the financial system.

2. When would deposit insurance claims kick in?

Deposit insurance becomes activated upon the failure/closure of a member financial institution. Payments of claims commence within 90 days of the DIC being notified of the closure of the Institution.

3. Does deposit insurance cover all deposits?

Deposit insurance currently covers only savings accounts, chequing accounts, demand deposits and time deposit accounts held in Trinidad and Tobago dollars at 24 member institutions (banks, finance houses, and trust and merchant banks referred to above) up to a prescribed limit (currently TT\$125,000). It is important to check the DIC's website (<https://dictt.org>) for details on the treatment of specific deposits, such as joint or multiple accounts. Deposits in other institutions, such as credit unions, are not covered under this arrangement.

4. So, what's changing from October 1, 2024 and why?

From October 1, 2024 deposit insurance coverage will increase from TT\$125,000 to TT\$200,000. The DIC made this proposal, which was supported by the Central Bank of Trinidad and Tobago, and approved by the Minister of Finance, following an analysis of several factors, including the extent of inflation since 2012 when the coverage was last increased from TT\$75,000 to TT\$125,000; and international benchmarks on appropriate deposit insurance coverage.

From October 1, 2024 the premium paid by member Institutions will increase from 0.2% to 0.3% of eligible deposits (the basis for the premium calculation). This increase will be phased in over a two-year period; 0.25% from October 1, 2024 and 0.3% from October 1, 2025.

5. Is there anything the public should do?

There is nothing specific for the general public to do with respect to the change in coverage limit. Persons should, nonetheless, take the opportunity to learn more about how to do financial transactions safely and efficiently, including how deposit insurance can help to protect their savings and their rights and responsibilities as financial consumers and improve their cybersecurity practices in an increasingly digital world. Some avenues include the website and social media pages of the [Deposit Insurance Corporation](#), [Central Bank of Trinidad and Tobago's National Financial Literacy Programme](#) and the [Trinidad and Tobago Securities and Exchange Commission](#).

For a more comprehensive guide to the change in the deposit insurance coverage, see also <https://dictt.org/news/frequently-asked-questions-increase-in-deposit-insurance-coverage-and-member-institution-premium-levied/>

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