प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
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वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
ई-मेल/email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001
Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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Risk-based Premium Framework for Deposit Insurance in India

In pursuance of the announcement made in the Statement on Developmental and Regulatory Policies dated October 01, 2025, Deposit Insurance and Credit Guarantee Corporation (DICGC), with approval of Reserve Bank of India (RBI), has today advised the insured banks on implementation of Risk Based Premium (RBP) framework. The framework aims to incentivise sound risk management by banks and reduce premium to be paid by better rated banks.

Background: DICGC has been operating the deposit insurance since 1962 on a flat rate premium system [presently 12 paise per ₹100 of assessable deposits (AD)]. Flat rate premium system is simple to understand and administer but does not differentiate banks which manage the risks better. DICGC Act, 1961 [Section 15(1)] provides for differential premium rates for different categories of insured banks. The proposal to introduce RBP for deposit insurance has been approved by the Central Board of RBI on December 19, 2025.

Salient features of the RBP framework are as under:

- There shall be two risk assessment models – Tier 1 Model and Tier 2 Model. Tier 1 Model is applicable to Scheduled Commercial Banks other than Regional Rural Banks (RRBs), and based on supervisory ratings, quantitative assessment (CAMELS parameters) and potential loss to Deposit Insurance Fund (DIF) in case of failure of insured banks.

- Tier 2 Model, applicable to RRBs and cooperative banks is based on quantitative assessment (CAMELS parameters) and potential loss to DIF in case of failure of insured banks.

- The maximum Risk_model_incentive shall be 33.33% over the card rate.

- Additionally, the RBP framework also provides benefits of vintage (signifying longer contribution to DICGC’s Deposit Insurance Fund without any major distress or claim payouts from DICGC). Maximum Vintage_incentive of upto 25% shall be provided.

- The effective rate of premium therefore will be calculated, as under:

$$Effective\ Rate = Card\ Rate * (1 - Risk\_model\_incentive) * (1 - Vintage\_incentive)$$

- The framework envisages a rating override policy in case of adverse material information/development, subsequent to the initial risk rating.

- The banks will be required to maintain confidentiality of ratings and not to disclose ratings or amount of premium paid to DICGC.

- Local Area Bank (LABs) and Payments Banks (PBs) will continue to pay the premium at card rate (i.e., 12 paise per ₹100 of AD per annum) as there are data point limitations to bring them into a RBP model (they account for less than 1% of the premium collected).

- All UCBs under the Supervisory Action Framework (SAF)/Prompt Corrective Action (PCA) of RBI will continue to pay the card rate of 12 paise and will be considered for RBP from the financial year following the year in which the bank exits SAF/PCA.

- The RBP framework shall be effective from April 1, 2026 and will be reviewed at least once in three years.

(Brij Raj)
Chief General Manager

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