



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-27-2006**  
**March 28, 2006**

## **DEPOSIT INSURANCE COVERAGE**

### **Changes to FDIC Rules for Deposit Insurance Coverage**

**Summary:** The FDIC Board of Directors has adopted the attached interim final rules to implement provisions of the Federal Deposit Insurance Reform Act of 2005 pertaining to deposit insurance coverage. These rules take effect on April 1, 2006. The attached "Changes in Deposit Insurance Coverage" provides details about the insurance coverage changes implemented by the rules; information about official FDIC signage for banks and savings associations in light of the coverage changes; information about a special bulletin and statement stuffers that institutions can distribute to their employees and customers; and the FDIC's plans to update its insurance coverage resources.

**Distribution:**

FDIC-Insured Institutions

**Suggested Routing:**

Chief Executive Officer  
Compliance Officer

**Related Topics:**

FDIC Deposit Insurance Regulations  
12 C.F.R. 330

**Attachments:**

- "Changes in Deposit Insurance Coverage"
- *Federal Register* notice

**Contact:**

FDIC Call Center at 1-877-275-3342

**Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2006/index.html](http://www.fdic.gov/news/news/financial/2006/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center (1-877-275-3342 or 703-562-2200).

**Highlights:**

- On April 1, coverage for certain retirement plan deposits will increase to \$250,000. The basic insurance limit for other depositors – individuals, joint accountholders, businesses, government entities and trusts – remains at \$100,000.
- Pass-through coverage for employee benefit plans is no longer tied to an institution's capital level, although institutions must meet certain capital requirements to accept employee benefit plan deposits.
- The FDIC Board of Directors is authorized to increase the insurance limits for all deposit accounts every five years, beginning in 2011, based on the rate of inflation.
- The FDIC did not change its rules pertaining to official FDIC signs for banks and savings associations. All banks and savings associations should continue to use their existing FDIC signage until further notice.
- The FDIC has issued an *FDIC Consumer News Special Bulletin* and developed two statement stuffers to help insured institutions communicate the changes in deposit insurance coverage to employees and customers. PDF copies can be downloaded from the FDIC's Web site at <http://www.fdic.gov/consumers/consumer/news/special/index.html> (for the bulletin) and <http://www.fdic.gov/deposit/deposits/stuffer/index.html> (for the statement stuffers) and may be reproduced without permission from the FDIC.

## CHANGES IN DEPOSIT INSURANCE COVERAGE

The Federal Deposit Insurance Corporation (FDIC) Board of Directors has adopted interim final rules that implement provisions of the Federal Deposit Insurance Reform Act of 2005 pertaining to federal deposit insurance coverage. The new FDIC rules, which are effective April 1, 2006, provide for the following changes:

- Self-Directed Retirement Accounts – On April 1, 2006, the maximum amount of insurance coverage for self-directed retirement plan deposits will increase to \$250,000, up from \$100,000. Types of retirement plans eligible for the increased coverage are traditional and Roth Individual Retirement Accounts (IRAs), Simplified Employee Pension (SEP) plans, “Section 457” deferred compensation plans, self-directed Keogh plans, and self-directed defined contribution plans. All such retirement funds owned by the same person on deposit at the same FDIC-insured institution will be added together and the total will be insured up to \$250,000. (Note: A Coverdell Education Savings Account, formerly known as an Education IRA, is not eligible for insurance coverage as a retirement account. A Coverdell account is a trust created for the purpose of paying the qualified education expenses of a designated beneficiary and is insured as an irrevocable trust account.)
- Coverage for Employee Benefit Plan Accounts – FDIC rules previously provided that the deposits of an employee benefit plan would qualify for “per-participant” coverage – also known as “pass-through” coverage – only if the institution met certain capital requirements. The Reform Act eliminated the statutory provision that tied “pass-through” insurance coverage for employee benefit plan accounts to an institution’s capital level. Under the new rules, “pass-through” coverage is provided for employee benefit plans regardless of the capital position of the institution. However, the new law prohibits insured institutions from accepting employee plan deposits unless they meet certain capital requirements.
- Inflation Adjustment for Deposit Insurance Coverage – The new law gives the FDIC and the National Credit Union Administration authority to jointly increase the insurance limits on all deposit accounts (including retirement accounts) beginning in 2011 and every five years thereafter, based on the rate of inflation. The law provides that increases in the insurance limits must be in increments of \$10,000.

This is the first regulatory action that the FDIC Board of Directors has taken to implement the Reform Act. The FDIC expects to consider additional proposed rulemakings to implement other provisions of the Reform Act later this year. In this regard, insured institutions should note that the FDIC has not yet proposed any changes to its regulations pertaining to the use of official FDIC signs. The Reform Act requires the FDIC to amend its teller sign to include the phrase "Backed by the full faith and credit of the United States Government," and the FDIC Board is expected to consider a notice of proposed rulemaking regarding the new teller signage this year. However, until the FDIC completes the rulemaking process, the FDIC’s existing rules regarding the official FDIC signs remain in effect for both banks and savings associations, and insured institutions should continue to use their existing signage.

### Awareness Materials for Bank Customers

The FDIC has issued an *FDIC Consumer News Special Bulletin* and developed two statement stuffers to help insured institutions communicate the changes in deposit insurance coverage to their customers and employees:

- *FDIC Consumer News Special Bulletin* is a two-page issue of the FDIC's quarterly publication for consumers that explains the changes to the deposit insurance coverage rules in an easy-to-read, consumer-friendly format. A downloadable camera-ready (PDF) file of the special bulletin is available on the FDIC's Web site at <http://www.fdic.gov/consumers/consumer/news/special/index.html>.
- *Statement Stuffers* – The FDIC has prepared two statement stuffers that insured institutions may print and send to their customers to inform them of the changes in insurance coverage for retirement accounts. One statement stuffer is in a two-panel format and the other, with more information, is in a four-panel format. Both provide a straightforward explanation of the changes in FDIC insurance coverage for retirement accounts. Both statement stuffers are available in downloadable PDF files at <http://www.fdic.gov/deposit/deposits/stuffer/index.html> and provide adequate space for an institution's name, logo and other identifying information.

The FDIC encourages all insured institutions to make copies of these materials available to their customers. Copies of the special bulletin and the statement stuffers may be reproduced in their entirety without advance permission from the FDIC. However, the FDIC requests that institutions not alter the materials except to add their name, logo and contact information. If the text of a document is altered in any other way, the FDIC logo may not be used and attribution to the FDIC is not permitted.

#### FDIC Resources for Consumers and Bankers

The FDIC is updating all of its deposit insurance resources for consumers and bankers to reflect the changes to deposit insurance coverage. On April 3, the FDIC expects to post on its Web site updated versions of the following publications and educational resources:

- *Insuring Your Deposits* (basic consumer brochure) – English only
- *Your Insured Deposits* (comprehensive consumer brochure) – English only
- *The Financial Institution Employee's Guide to Deposit Insurance*
- Online EDIE (Electronic Deposit Insurance Estimator) for consumers
- Banker EDIE (may be downloaded from the FDIC's Web site)

Downloadable PDF files of *Your Insured Deposits* and *Insuring Your Deposits* will be available on April 3, 2006, on the FDIC's Web site at <http://www.fdic.gov/deposit/deposits/index.html>. Soon thereafter, the FDIC will automatically send 500 copies of the new brochures to all insured institutions that placed bulk orders for one or both brochures during the past two years. The brochures will be sent to the most recent contact and address provided and will be mailed at no charge. Insured institutions **will be able to** place orders for additional free brochures **in a few weeks, once** a supply of brochures is available for distribution. When the new brochures are available, you will be able to order them online at <http://www2.fdic.gov/depositinsuranceregister/index.asp>.

The FDIC will issue updated versions of its deposit insurance videos – the 27-minute video for consumers and the 90-minute seminar video for bankers – later this spring. The FDIC also will issue Spanish, Chinese and Korean versions of two consumer brochures – *Your Insured Deposits* and *Insuring Your Deposits* – later this year. Insured institutions will be notified by a Financial Institution Letter when these materials are available.

Questions may be directed to the FDIC Call Center at 1-877-275-3342 on Monday through Friday from 8:00 a.m. to 8:00 p.m.