



# Deposit Insurance & You



# MISSION STATEMENT

THE MISSION OF THE JAMAICA  
DEPOSIT INSURANCE  
CORPORATION IS TO:

PROVIDE INSURANCE AGAINST  
THE LOSS OF DEPOSITORS' FUNDS;

CONTRIBUTE TO THE STABILITY  
AND CONFIDENCE IN JAMAICA'S  
FINANCIAL SYSTEM;

MINIMISE THE CORPORATION'S  
EXPOSURE TO LOSS THROUGH SOUND  
MANAGEMENT OF THE DEPOSIT  
INSURANCE FUND.

THE CORPORATION WILL FOSTER AN  
ENVIRONMENT WHICH ENCOURAGES  
EMPLOYEES TO REALISE THEIR FULL  
POTENTIAL AND EXHIBIT  
PROFESSIONALISM AND EXCELLENCE.

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# 1. DEPOSIT INSURANCE BASICS

## Q. What is Deposit Insurance?

Deposit Insurance is a component of a country's financial safety net, set up primarily to protect depositors in case their bank or other insured financial institution fails or is unable to make payments on deposits. The other components of the safety net are the supervisory and regulatory framework and the lender of last resort, the Central Bank (Bank of Jamaica).

Under the Deposit Insurance Act of 1998, the Jamaica Deposit Insurance Corporation (JDIC) is responsible for managing the Scheme established under the provisions of the Act.

Under the Scheme, insurance premiums are paid annually into the Deposit Insurance Fund by policyholders, that is, financial institutions covered by the Scheme. Resources from the Fund will be used to pay depositors' claims in the event that a policyholder is unable to make payments on deposits.

The Scheme provides a formal system for the Government to address problems which may arise in the financial sector. It also helps in maintaining confidence in the financial sector as well as encouraging savings.



Jamaica is among many countries around the world which have limited deposit insurance schemes. They include Canada, Trinidad & Tobago, Germany, the United States of America, the United Kingdom, Venezuela and India.

## Q. Why is Deposit Insurance necessary?

Before the Deposit Insurance Scheme was established in 1998, Government was, in effect, the guarantor of deposits in licensed financial institutions and payments to depositors were discretionary.

However, following the failure of several of these institutions in the mid 1990s, when the government paid out all the affected depositors, it was decided that Jamaica should follow the example of several other countries and establish an explicit Deposit Insurance Scheme.



## 2. THE JAMAICA DEPOSIT INSURANCE CORPORATION (JDIC)

### Q. What is the role and function of the JDIC?

The JDIC's role is to establish and manage the Deposit Insurance Scheme. In fulfilling its role, the JDIC is required to:

- Provide insurance against the loss of deposits
- Levy premiums for the Deposit Insurance Fund and fees or other amounts payable in accordance with the Deposit Insurance Act
- Manage the Deposit Insurance Fund.



### 3. INSURED INSTITUTIONS

**Q. Which financial institutions are covered by Deposit Insurance?**

The deposit-taking institutions covered are:

- Commercial Banks
- Trust Companies & Merchant Banks
- Building Societies

**Q. How can I be sure that a financial institution has Deposit Insurance coverage?**

JDIC insures deposits in some, but not all financial institutions. Look for a JDIC Certificate of Deposit Insurance which must be prominently displayed in the head office and branches of all policyholders, and also the JDIC decal displayed below.







## 4. UNINSURED INSTITUTIONS

### Q. Which financial institutions are not covered by Deposit Insurance?

Financial institutions not covered by the Deposit Insurance Scheme include:

- Credit Unions
- Money Market Brokers
- Investment Firms
- Unit Trusts/Mutual Funds
- Life Insurance Companies

## 5. INSURED DEPOSITS

### Q. What deposits are insured by the JDIC?

The majority of funds received by a deposit-taking financial institution in its usual course of business are insured. These include:

- Savings & chequing accounts
- Time deposits
- Certificates of Deposit, usually called CDs



- Manager's cheques, money orders and drafts
- Travellers' cheques issued by the financial institution
- A share in a building society (i.e. other than a capital share, a deferred share or a preferred share).

## Q. Are foreign currency deposits in Jamaican financial institutions insured?

Yes. However, payments are made in Jamaican currency.

## 6. UNINSURED FUNDS

### Q. What monies are not insured by JDIC?

Not all monies placed with financial institutions covered by the Scheme are insured. For example, JDIC does not insure:

- Commercial Paper
- Brokered/managed funds
- Debentures
- Deposits made by other policyholders (i.e. financial institutions covered by the Scheme)
- Deposits made by statutory bodies or the Government of Jamaica.



## 7. DEPOSIT INSURANCE — HOW IT WORKS

### **Q.** What is the basic insurance coverage under the Scheme?

The basic insurance coverage limit is \$600,000 (principal and interest combined) per depositor, per institution.

### **Q.** Do I have to pay insurance premiums?

No. Each insured institution (policyholder) will contribute to the Deposit Insurance Fund through annual premiums.

### **Q.** Can I increase my coverage by depositing my monies in several insured institutions?

Yes. Deposits by the same depositor in different institutions are insured separately and therefore enjoy coverage of \$600,000 per depositor. However, to gain this additional protection, deposits must be held in separate institutions and not different branches of the same institution.



# Q.

**Can I increase my coverage by dividing my monies and opening several accounts?**

You cannot increase coverage by dividing your monies among several accounts in the same ownership category. However, if the owners of the accounts are different, coverage is separate. The most common ownership categories are Individual (Single), Joint, Business and Trust Accounts.

## 8. OWNERSHIP CATEGORIES

### INDIVIDUAL (SINGLE OWNERSHIP) ACCOUNTS

# Q.

**What is an Individual Account?**

An individual account is owned by one person.



## Q. How is an Individual Account insured?

All individual accounts owned by the same person in the same institution are added together and the total insured up to a maximum of \$600,000.

This means that all chequing and savings accounts would be added to other insurable deposits such as manager's cheques and certificates of deposit to determine the insured and uninsured portion of the deposits owned by the individual.

### *Example:*

Owner	Type of Deposit	Amount Deposited
Brenda	Savings account	\$225,000
Brenda	Certificate of Deposit	\$300,000
Brenda	Chequing account	\$125,000
	<b>Total Deposited</b>	<b>\$650,000</b>
	<b>Insured Amount</b>	<b>\$600,000</b>
	<b>Uninsured Amount</b>	<b>\$50,000</b>



## JOINT ACCOUNTS

### Q. What is a Joint Account?

A joint account is owned by two or more persons in which:

- Each co-owner has signed the account's signature card; and
- Each co-owner may withdraw monies from the account.

### Q. How are Joint Accounts insured?

Joint accounts are insured separately from individual accounts.

The maximum coverage for all deposits having the same joint owners at each institution covered by the Scheme is \$600,000 (for the joint owners together and not individually).

Each person's share in a joint account will be considered equal unless stated otherwise on the deposit records.

**Example:**

All joint accounts owned by the same persons are added to determine the insured portion of the deposit.

Acct.	Owners	Balance
#1	George & Brenda	\$400,000
#2	Brenda & George	\$250,000
	Total Deposited	\$650,000
	<b>Insured Amount</b>	<b>\$600,000</b>
	<b>Uninsured Amount</b>	<b>\$ 50,000</b>



## BUSINESS ACCOUNTS

### **Q.** What is a Business Account?

A business account is set up expressly for business, as opposed to individual or personal purposes.

### **Q.** How are Business Accounts insured?

Funds deposited by a company, partnership or association are insured up to a maximum of \$600,000. Business accounts are insured separately from the personal accounts of the shareholders, partners or members.

Accounts owned by the same business but designated for different purposes (e.g. Salaries, Motor Vehicles, Special Projects) are not separately insured. These will be added together and insured up to a maximum of \$600,000.

In the case of a sole proprietorship, the operation is individually owned and as such, its account will be treated as an individual account. This account will be added together with all other accounts owned by the sole proprietor and insured up to a maximum of \$600,000.



## TRUST ACCOUNTS

### **Q.** What is a Trust Account?

A trust account is one set up by an individual, company, association or group (trustee) for the benefit of another party (beneficiary).

### **Q.** How are Trust Accounts insured?

Deposits held in trust are insured separately from deposits owned individually by the trustee or the beneficiary provided that the records of the institutions state all the relevant details of the trustee(s) and the beneficiary(s).

At each institution, all eligible deposits having both the same trustee and the same beneficiary are combined and the total is insured up to a maximum \$600,000.





## 9. PAYMENTS TO DEPOSITORS

**Q.** When is the Corporation obliged to make payments to depositors?

The JDIC is obliged to make payments when the institution is unable to do so.

**Q.** Do I have to make a claim?

No. The JDIC undertakes payments based on the information available on the records of the failed institution. However, if there is a dispute you may be required to provide proof of deposit ownership, such as your passbook, and/or certificate of deposit and submit to signature verification.



## **Q.** How soon will I get my monies?

Under the Deposit Insurance Act the JDIC is required to pay the insured sum within three months of the failure of the institution. If not, the Corporation pays interest, but only after the three months have passed.

## **Q.** How will payments be made?

Payments will be either by cheques directly to depositors or by transferring funds to another insured institution which pays out on behalf of the Corporation.

## **Q.** Will I get back all my monies?

All eligible depositors who hold deposits of \$600,000 or less (principal and interest combined), will be paid in full.



## **Q.** Do I lose uninsured amounts over the \$600,000 limit?

Amounts over the \$600,000 limit may be settled by the liquidator of the failed institution.

JDIC will issue certificates to depositors for the portion of the deposits not insured. These certificates must be presented to the liquidator who will make pro-rated payments to depositors as and when the failed institution's assets are available for distribution.



## 10. SECURING YOUR MONEY — WHOSE RESPONSIBILITY?

As stakeholders, the financial institutions, the regulatory authorities (Government), and most importantly depositors all have to share in the responsibility to develop and maintain a safe financial system.

### **THE INSTITUTIONS' RESPONSIBILITY**

All financial institutions must ensure strict adherence to sound financial practices, and abide by the policies and guidelines established by the regulatory authorities.

### **GOVERNMENT'S RESPONSIBILITY**

The Government has put measures in place which have significantly enhanced the regulatory framework for financial institutions, and ultimately provide a greater level of security for savings and investments.

The Government offers this protection through three key institutions: the Central Bank, the Financial Services Commission and the JDIC. The key areas of responsibility in protecting depositors' funds are to:

- Ensure that institutions have an adequate capital base, and the Boards and managers are “fit and proper” to run them efficiently.



- Keep monitoring the health of the institutions and be in readiness to institute remedial measures at the first sign of difficulty.
- Act as quickly as possible, through the JDIC, to protect the interest of depositors to the full extent of the law if closure of an insured institution becomes necessary.

## **DEPOSITORS' RESPONSIBILITY**

Depositors are ultimately responsible for the choices they make about where to deposit their funds and are the ones who will gain or lose from the decision.

It is therefore important that depositors take great care in ensuring that they know all about their financial institutions, and the products offered.

# GLOSSARY

**Annual Premium**

Amount paid annually by policyholders as contributions (deposit insurance premium) to the Deposit Insurance Fund.

**Certificate of Deposit**

An instrument issued by a bank for a specified period of time, at a set rate of interest.

**Commercial Paper**

A short term promissory note that is issued on the open market and represents the obligation of the borrower.

**Debenture**

An instrument issued to secure capital backed only by the general credit worthiness of the corporation or company issuing it.

**Deposit**

Sum of money, cheques or drafts placed with an insured financial institution for credit to a customer's account. Amount to be repaid with or without interest, either on demand or at a time agreed by the parties.

**Deposit Insurance Fund**

A fund established in advance, under a deposit insurance scheme to reimburse depositors, should their insured financial institution fail.

**Insured Institution (policyholder)**

A licenced financial institution insured under the Deposit Insurance Scheme, which if it fails, depositors would be refunded up to a specified limit.

**Liquidator**

Person appointed by the court, creditors or shareholders to wind up the operations of the policyholder by realizing assets and distributing the proceeds.

**Managed Funds**

Client funds that are entrusted to a manager, who decides when and where to invest it.

**Manager's (Banker's) Cheque**

A cheque or draft drawn against a deposit in a financial institution to pay a specified sum of money to a specified person on demand.

**Mutual Funds / Unit Trust**

Funds operated by an investment company on behalf of shareholders, invested mainly in stocks, bonds and the money market.

**Time Deposits**

Savings accounts or certificates of deposit held in a financial institution for a fixed term.



The information in this brochure is presented in a non-technical way and is not intended to be a legal interpretation of the Deposit Insurance Act.

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