



The Cost of Deposit Insurance Increases

The Bottom Line:

The Taxpayers Protection Alliance (TPA) estimates that raising the deposit insurance limit for business accounts to \$25 million would require a special assessment of \$30.1 billion to keep the Federal Deposit Insurance Corporation (FDIC) reserve ratio at its statutory minimum (i.e., to recapitalize the Deposit Insurance Fund). In addition, the initial annual cost of insuring the additional amount would be \$2.6 billion. That would grow to \$3.4 billion by the seventh year due to insured deposit growth. That cost would continue to grow in perpetuity.

If the special assessment is spread out over five years, banks would pay an additional \$8.6 billion each year during that time, growing to as much as an additional \$9.1 billion in the fifth year. Even after the special assessment is paid, additional assessments would be more than \$3 billion annually and continue to grow thereafter.

Put another way, the average bank FDIC assessment is currently 5.9 basis points. The special assessment would equal an additional 14.1 basis points—or 2.8 basis points annually if spread over five years—and an additional 1.2 basis points initially, growing to as much as 1.5 basis points by the fifth year. To put this in perspective, banks initially would pay an additional 4.0 basis points, which would rise to roughly 4.3 basis points in five years.

In sum, we estimate that banks would pay almost two-thirds (64 percent) more in premiums for five years. This cost would undoubtedly be passed on to consumers in the form of higher fees.

	Annual Cost of		
	Special Assessment at 1.35% (\$bn)	Insuring Additional Deposits (\$bn)	Total Increase (\$bn)
Year 1	6.02	2.62	8.64
Year 2	6.02	2.74	8.76
Year 3	6.02	2.86	8.89
Year 4	6.02	2.99	9.01
Year 5	6.02	3.13	9.15
Year 6		3.27	3.27
Year 7		3.42	3.42

How We Got There:

- There is approximately \$6.75 trillion in transaction accounts based on first quarter 2025 call report data.
- TPA calculates that approximately 47 percent of the above amount is held by individuals (not businesses) by referencing the Fed's report on Financial Accounts of the U.S. and deduct another \$295 billion of non-business accounts.



- Accordingly, TPA estimates that roughly \$3.29 trillion in transaction accounts are held by businesses, a rough estimate of a so-called “business transaction account.”
- By looking at the Transaction Account Guarantee (TAG) data from the fourth quarter of 2009 (the last quarter for which the program was mandatory for banks), TPA estimates that roughly 85 percent of the \$3.29 trillion (\$2.79 trillion) is above \$250K and uninsured.
- TPA assumes that anywhere from 75 percent to 85 percent of the amount above \$250K also is below \$25 million, resulting in newly insured deposits with a value ranging from \$2.09 trillion to \$2.37 trillion.
- Under a Warren-Chopra type proposal in which the deposit insurance limit for business accounts is raised to \$25 million, this \$2.09 trillion to \$2.37 trillion would now be insured. The FDIC would then have to assess \$28.22 billion to \$31.98 billion (or 13.2 to 15.0 basis points) to the industry to restore the Deposit Insurance Fund to its statutory minimum of 1.35 percent.
- The FDIC would need an additional \$2.46 billion to \$2.79 billion in annual assessments, or 1.2 to 1.3 basis points in the first year. However, this amount would need to grow at the same rate as insured deposits to maintain the same reserve ratio level. At a growth rate of 4.5 percent (which is what FDIC recently reported as the long-term growth rate in insured deposits), the additional annual assessments would rise to \$2.93 billion to \$3.32 billion or 1.4 to 1.6 basis points in the fifth year, and the additional amounts would continue to grow in perpetuity.
- For the sake of simplicity, TPA has assumed that 80 percent of the \$2.79 trillion annual assessment would be newly insured by an increase in the deposit insurance limit for business accounts to \$25 million. We conclude that it would take a \$30.11 billion special assessment to bring the Deposit Insurance Fund (DIF) back to its statutory minimum. There would be an additional \$2.62 billion cost to covered institutions each year going forward, a price tag that would rise to more than \$3 billion and over time as the level of insured deposits in such accounts grew.
- In basis points terms (which is how banks are assessed by the FDIC), banks would initially pay an additional 4.0 basis points in premiums. This amount would grow to 4.3 basis points in year five. Over these first five years, banks would pay 64 percent more in premiums. After the special assessment is paid, banks still would pay an additional 1.5 basis points more each year after that, and this figure would grow over time as the level of insured deposits in business accounts below \$25 million continues to grow.