DEATH OF AN ACCOUNT OWNER (12 C.F.R. § 330.3(j))

The death of an account owner can affect insurance coverage. Often the effect is to reduce the amount of insurance coverage that applies to a family's accounts. For this reason, it is important to encourage depositors to review the deposit insurance coverage available for their accounts whenever an account owner dies.

To ensure that families dealing with the death of a family member have adequate time to review and restructure their accounts if necessary, the FDIC will insure the deceased owner's accounts as if he or she were still alive for six months after his or her death. During this grace period, the insurance coverage of the deposit owner's accounts will not change unless the accounts are restructured (i.e., retitled or replaced to reflect the change in ownership of the deposit funds) by those authorized to do so. The FDIC will not apply the grace period in the rare event that the application of the grace period would cause a reduction in the amount of deposit insurance coverage. Also, there is no grace period upon the death of a beneficiary of a deposit account and, therefore, there may be an immediate reduction of deposit insurance coverage.

Example 37

Facts:

John and Susan Bailey have a jointly held MMDA for $500,000 at Any Bank. Assume the owners meet the requirements for a joint account. At the same IDI, Susan also has a $100,000 CD in her name alone. Susan's husband John dies. What is the deposit insurance coverage for these accounts?

Rule:

(a) Upon the death of an accountholder, the FDIC will insure the deceased owner's accounts as if he or she were still alive for six months after his or her death.

(b) After the lapse of the six-month grace period, the deposit insurance coverage of the account will depend on the ownership category in which the accounts are now held.

Answer:

While both owners are alive, the joint account is insured for up to $500,000 and Susan's single account is insured separately up to $250,000.

For six months after John's death, the deposit insurance coverage is calculated as if John is alive and both deposits remain fully insured.

The purpose of the six-month rule is to allow the surviving owner the opportunity to restructure a deposit if necessary to ensure that all funds remain fully insured. If the IDI should fail after the six-month grace period expires and assuming Susan has not restructured these accounts, then the total of $600,000 would be treated as Susan's single accounts with $250,000 insured and $350,000 uninsured.

Example 37: **Death of an account owner**			
Account Title	**Owners**	**Deposit Type**	**Account Balance**
John and Susan Bailey	John and Susan Bailey	MMDA	$500,000
Susan Bailey	Susan Bailey	CD	$100,000
Total			**$600,000**

For additional information on the impact on deposit insurance coverage following the death of an owner or a beneficiary, review the examples in the single, joint and revocable trust accounts sections of this *Employee's Guide*.