Press Release

Deposit Insurance: A Primer

ALLIE WATSON | OCTOBER 20, 2025

Deposit insurance is a foundational feature of the modern U.S. banking system. It is also increasingly a flashpoint for broader debates about risk, regulation, and moral hazard. In a new primer, Director of Financial Services Thomas Kingsley explains what deposit insurance is, traces its development in U.S. financial history, assesses recent legislative proposals to amend it, and argues that expansion—particularly toward unlimited coverage—is poor policy.

He concludes:

> *Deposit insurance plays a vital role in financial stability, but its scope must be clearly limited and carefully designed. Calls to expand deposit coverage may be politically expedient during moments of market panic, but they threaten to erode the fundamental tradeoff between risk and accountability in the banking sector.*
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> *Rather than papering over problems with bigger guarantees, policymakers should focus on supervisory rigor, resolution planning, and crisis tools that preserve confidence without socializing risk. Expanding deposit insurance is a seductive but ultimately misguided solution—far beyond a solution looking for a problem, most of these proposals represent the cure being worse than the illness.*

Read the analysis.