



Crypto Confidence:

A Bytesize Guide

The digital asset revolution is here
can insurance keep up?

From cryptocurrencies such as Bitcoin to NFTs, blockchain-based value is going mainstream. As adoption grows, so does the need to manage risk. This quick guide explores the current market, key challenges and London's opportunities to lead.

What Are Digital Assets and Why Insure Them?

Digital assets are blockchain-based representations of value, including:

- **Cryptocurrencies** (e.g. Bitcoin, Ethereum)
- **Non-Fungible Tokens (NFTs)**: unique digital items like art or collectibles
- **Tokenized Assets**: real-world assets (like property or shares) represented digitally

Key Fact: The global market for digital assets was valued at US\$1.8 trillion in 2023, and has already doubled – as of July 2025, the market was exceeding US\$4 trillion

Why Insurance Matters: As adoption grows, so does the need for insurance. Digital assets face risks from theft, fraud, key loss, tech failures and volatile valuations. Approximately 3.8 million Bitcoin has been permanently lost due to inaccessible private keys. Without cover, losses can be catastrophic.

Myth vs. Reality: Despite a common misconception that digital assets are mostly used for illicit purposes, only 0.34% of crypto transactions involved criminal activity in 2023.

What Types of Insurance Are Available Today?

Most digital asset insurance products are adapted from traditional lines:

- **Crime/Theft** - Covers hacking or theft from wallets and exchanges
- **Fidelity** - Protects against employee dishonesty
- **Directors & Officers (D&O)** - Liability cover for company leadership
- **Professional Indemnity / Tech Errors & Omissions (E&O)** - Covers errors, omissions, and tech failures
- **Cyber Insurance** - For cyberattacks and business interruption
- **Specie Insurance** - Adapted for digital assets held in cold (offline) storage

Focus Area: Third-party custodians (specialist firms storing assets securely) are key insureds, such as Coinbase.

The Underwriting Challenge

Insuring digital assets isn't straightforward. Key hurdles include:

- **Limited historical data** - Hard to assess risk, predict market challenges or set premiums
- **Price volatility** - Asset values can swing dramatically
- **Technical complexity** - Underwriters need blockchain expertise
- **Regulatory uncertainty** - Rules are evolving and vary by region
- **Security protocols** - Strong due diligence is essential

When Claims Get Complicated

Claims involving digital assets can be difficult to resolve:

- **Blockchain forensics** may be needed to trace losses
- **Valuation at time of loss** is tricky due to price fluctuations
- **Fraud and cybercrime** are common triggers
- Past cases like **Mt. Gox** and **FTX** show the importance of clear asset custody and robust security

Complex claims handling for digital assets demands new expertise - such as blockchain forensics (to trace losses) and dynamic valuation models (due to price volatility) - to overcome these unique challenges.

Regulation in Motion

- **UK:** Aiming to be a **global crypto hub**; the FCA is developing its framework
- **EU:** MiCAR regulation shaping rules and influencing London
- **US:** Fragmented oversight but a push for unified federal framework
- **Global:** Cross-border cooperation growing, but rules still uneven

Takeaway: Regulatory clarity will boost insurer confidence and capacity.

LONDON'S POSITION

Challenges	Opportunities
Limited capacity	First-mover advantage
High premiums and pricing uncertainty	Product innovation
No standard wordings	Scope for reinsurance innovation
Ownership ambiguity	Partnerships with custodians and regulators
Immature reinsurance market	Tech-insurance talent pipeline

What's Next?

- Expect broader coverages and more capacity as data matures
- Watch regulatory updates in UK, EU and beyond
- Look for collaboration between insurers, tech firms and custodians

In Summary

The London Market is well-placed to lead in digital asset insurance—but success will require **adaptability, technical expertise, and collaboration**. This is a fast-moving space, and the players who engage early will help shape the future of risk transfer in the digital economy.



Further reading

We recommend reading *Digital Assets and Insurance* by Peter Wedge. Scan the QR code to find out more.

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