



# Demystifying Crypto: the insurance opportunities and challenges

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InsTech London was founded in 2015 and has grown to become a leading intelligence network shaping the future of insurance and risk management. We connect the industry to the technology, data, and analytics providers, driving and influencing change through innovation. The two executive partners, Matthew Grant and Robin Merttens, each have over 30 years of experience bringing new technologies into the global insurance market and draw on an extensive network of consultants and collaborators. InsTech London runs regular events (live and digital), provides market commentary and insights and a weekly podcast. In addition, we offer advisory services to our members, from ad hoc recommendations to in-depth consulting studies. We are supported by (and grateful to) our corporate members of over 130 companies and an extended community reaching 20,000 people who keep us honest and informed about what is happening in insurance, technology and beyond.

## Report authors

This report has been led by Henry Gale, supported by InsTech London partners Robin Merttens and Matthew Grant and the Research and Insight team – Rebekah Bostan and Ali Smedley. Our work is further informed by the over 200 discussions we are all having with companies in, and supporting, the global insurance industry each month.

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# Introduction

Crypto is becoming more mainstream, with implications across financial services. Where crypto meets insurance, progress has been slow – in large part due to a lack of understanding between the insurance industry and the crypto ecosystem. This report is designed to inform its readers about the opportunities and challenges of crypto in relation to insurance, while being accessible to audiences new to crypto or new to insurance.



The crypto market began in 2009 with the launch of Bitcoin. The total market capitalisation of all crypto assets now exceeds \$2 trillion. Cryptocurrency uptake is increasing among the public and institutional investors. Estimates of the number of people owning cryptocurrency range from 100 million to over 300 million. Institutional asset managers hold \$70 billion of Bitcoin.

This new market is disrupting financial services and creating new opportunities for the insurance industry. New forms of insurance coverage and use cases for cryptocurrency as an alternative form of insurance capital are being developed.

The insurance industry's increasing interest in crypto assets is reflected in the choice of crypto as a theme for the seventh cohort of the [Lloyd's Lab](#) innovation programme (September–November 2021). Brokers [Marsh](#) and [Aon](#) have both sold policies to large crypto businesses. Lloyd's syndicates [Atrium Underwriters](#), [Arch Insurance](#) and [Canopus](#) are underwriting policies. Many in the broader industry are curious but not yet involved.

The insurance industry lacks knowledge about crypto, and the crypto ecosystem lacks an understanding of insurance, which has held back crypto insurance innovation so far. This report is intended to bridge the gap between crypto and insurance by explaining relevant concepts and unpacking where crypto and insurance overlap. We have focused on four areas in particular:

- **Crypto wallet coverage** – protection against cryptocurrency funds being lost or stolen
- **Other crypto asset coverage** – protection against additional risks that affect people who invest in crypto
- **Conventional coverage for crypto businesses** – why businesses dealing with crypto assets are exposed to different risks
- **Cryptocurrency as an alternative source of insurance capital** – how crypto investors could provide alternative capital to back insurance products

Cryptocurrency in insurance also presents challenges, including:

- **Volatility and exchange rate risk** – caused by the rapid price movements of cryptocurrencies
- **Lack of data** – because the risks are new and unfamiliar
- **Security and systemic risk** – because of the threat posed by hackers
- **Regulatory barriers and risk** – as governments decide how to respond to crypto

Throughout, we have provided examples of companies already active in the space for context. The report concludes with insights from the front line: perspectives from an insurer, an investor and a lawyer on the state of crypto insurance today and where it is going next.

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