

Crime Insurance for Cryptocurrencies

Emerging risks require innovative solutions to protect our clients.

Emergence of Cryptocurrencies

As the awareness, acceptance and popularity of cryptocurrencies has increased, so too has the ecosystem which supports and services these new assets and their owners. This ecosystem includes cryptocurrency exchanges, depositories, issuers, wallets and miners. Recently, cryptocurrencies, such as bitcoin, have soared in value. Together, this expanding ecosystem and rising valuations have led to a significant increase in risks that requires an innovative risk-transfer solution.

Inadequacies of Traditional Insurance

With exposures to cryptocurrencies on the rise, companies have been prudently seeking insurance solutions as a mechanism to transfer a portion of the risk. The fact is, most “off-the-shelf” Crime Insurance policies do not cover cryptocurrency exposures as these policies were originally designed to address valuable physical property like cash, securities and precious metals. Furthermore, certain nuances that are unique to cryptocurrencies are not addressed, such as the distinction of cryptocurrency held in “warm storage” and “cold storage”.

There is a common misconception that a cyber liability insurance policy would respond if assets are stolen as a result of a “hack”. While most cyber policies cover both first-party and third-party aspects, such as forensics investigations, notifications, and liability, most cyber policies exclude coverage generally for the loss or transfer of funds. As such, stand-alone cyber policies would not protect the face value of cryptocurrency.

Aon's Innovative Solutions

In recognition of the growing exposures and limitations of traditional insurance, Aon has developed an innovative risk transfer solution for companies providing cryptocurrency depository and exchange services. Some of the features of this insurance solutions may include:

- Coverage for loss of cryptocurrency from internal and external theft
- Coverage for cryptocurrency in “warm storage” as well as “cold storage”
- Coverage for theft, damage or destruction of private keys
- We have placed programs with \$100M of limits and continue to push the insurance marketplace to provide additional capacity

There have been many reports of large losses resulting from hacks of cryptocurrency exchanges and depositories and insurers are rightfully conservative in underwriting these risks. For example, insurers are more comfortable providing coverage for “cold storage” compared to “warm storage”, but insurers will consider offering both subject to their underwriting of the risk. Important risk factors they will study include: management team experience and expertise; security protocols; financial crime concerns (e.g. AML); relationships with legal counsel, accountants and banking partners; regulatory focus; and other considerations. We have placed several of these policies and our experience is that insurers decline to offer coverage to more than half of the risks that they review in this space. However, those entities that can positively demonstrate their risk factors have been able to secure robust insurance coverage.

We're here to empower results

If you have any questions about your specific coverage, or are interested in obtaining coverage, please contact your Aon broker.

For general questions about crime insurance, please contact:

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Aon's Capabilities

Aon is uniquely positioned to serve the emerging companies in this cryptocurrency ecosystem. By nature of the underlying distributed ledger technology, cryptocurrency entities have global exposures. It behooves such companies to partner with an insurance broker with global capabilities. Aon's wholly-owned international network of subsidiaries allows us to access markets in a broad range of geographies to achieve industry leading results for our clients.

Additionally, Aon Client Treaty is a proprietary tool that enables Aon clients to access 20% pre-secured, unique Lloyd's co-insurance capacity on orders* placed through Aon's Global Broking Centre in London. Oftentimes, building a crime insurance program for a cryptocurrency entity can be quite challenging and this additional capacity has proven to be useful on difficult insurance placements.

As a leading global professional services firm, Aon has a significant presence such as these programs in the insurance marketplace. We are the number one or two insurance broker with all major insurance companies. This empowers us to continuously develop and refine innovative solutions to meet our clients emerging risks.

About Aon's Financial Services Group

Aon's Financial Services Group (FSG) is the premier team of executive liability brokerage professionals with extensive experience in representing buyers of complex insurance products including directors' and officers' liability, cyber liability, employment practices liability, fiduciary liability, crime and professional liability insurance. Our global platform assists clients in addressing their executive liability exposures across their world-wide operations. Aon's Financial Services Group manages more than \$2.2 billion in annual premium, with annual claim settlements in excess of \$1 billion, and uses its unmatched data to support the diverse business goals of its clients.

* "For risks that satisfy pre-agreed criteria."