Lloyd’s Syndicate to Insure Against Cryptocurrency Hacks

A group of underwriters, called Atrium (Lloyd’s syndicate for Coincover) have developed a £100,000 policy in response to a surge in reports of the hacking of cryptocurrency accounts.

According to Lloyd’s, the policy has a “dynamic limit” that increases or decreases in line with the price changes of crypto assets. This means that the insured will always be indemnified for the underlying value of their managed assets even if this fluctuates over the policy period.

Industry concerns

Around three-quarters of investors cite theft as their main fear of digital currencies, according to a survey by America’s Grayscale Investments.

The figures seem to justify these fears. CipherTrace, a blockchain intelligence firm, reports that the theft of crypto assets by hackers reached $480 million in the first half of 2019. Moreover, May of last year brought bad news for Binance – one of the world’s biggest cryptocurrency exchanges – which claimed to have suffered a ‘large-scale security breach’ resulting in hackers stealing $40 million worth of bitcoin from ‘hot wallets,’ a term for a cryptocurrency wallet that is connected to the internet.
Trevor Maynard, head of innovation at Lloyd's remarked that “as more money flows into the crypto asset market, losses from hacks are on the rise. Nevertheless, cryptocurrency companies have found ways to protect their digital assets from theft and, by working closely with Lloyd’s underwriters, to insure losses that do slip the net.”

**The policy**

The policy is backed by a panel of other Lloyd’s insurers, which includes TMK and Markel. Matthew Greaves, an underwriter at Atrium, notes this innovative solution of Lloyd’s is well timed with the growing demand for insurance that can protect cryptocurrency.

It is said that this policy will help to mitigate “these new risks and protect against theft – from physical as well as online vaults – thereby providing customers with the peace of mind that their assets are safe.”

This announcement is the most recent action taken by the 334-year-old insurance market to modernise. It announced plans in October to shift its focus to technological innovation and automation with a new electronic risk exchange that could process up to 40% of its portfolio.

Commenting on the cryptocurrency insurance, Coincover chief executive David Janczewski said: “As the crypto asset market heats up again at the start of 2020, a new wave of crypto-curious customers are standing by at the ready to jump in, having previously been put off by the lack of adequate protection against theft and loss.”

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