

# DIGITAL ASSET INSURANCE

## CRIME AND SPECIE SOLUTIONS

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# Issues driving the need for insurance

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- Reputation
- FDIC equivalent for digital assets
- Client Comfort / Protection
- Hacks
  - Mount Gox – Circa \$460,000,000
  - In excess of \$7.5bn in total
- Approximately 20% of all mined bitcoins have been lost or stolen



# Storage solutions

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London insurers generally categorise storage methods as follows:

- Hot  
Private key data stored on servers that are connected to or have access to the internet
- Warm  
Private key data stored on different servers. In many cases, part of the private key data is stored by an independent key management company
- Cold  
Private key data generated and stored offline



# Insurance cover available - Crime

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- Covers:
  - Employee Theft
  - Premises
  - Transit
  - Third Party Computer and Funds Transfer Fraud
  - Legal Fees, Costs and Expenses
- Also covers loss of fiat currency
- London market capacity available for any one insured for a twelve month policy - \$100,000,000+
- Hot and warm storage more difficult, and expensive, to insure
- Lloyd's branding since 2019 – crime / specie tower

# Insurance cover available – Specie (Vault Risk)

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- Covers loss, damage, destruction, internal or external theft of private key data stored on physical media whilst secured in designated secure locations
- London market capacity available for any one insured for a twelve month policy - \$500,000,000+
- Can be purchased to protect all customers assets and/or specifically named customers only
- Adjustable features available – buy limits on a ‘pay as you go’ basis
- Ground up cover available (No excess / Self-Insured Retention)
- Can work with crime cover, either as specific primary or excess of crime



# Underwriting considerations

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- Nature of operation, value proposition, what services, who for (retail or institutional clients), and where?
- Which assets and details of due diligence process for onboarding new assets
- Client onboarding and transaction verification process
- KYC, AML, Sanctions
- Private key security (hot, warm and/or cold), in detail
  - Must demonstrate care, custody and control of the digital assets - MPC
- Back-up keys / seeds
- BCP

# Other insurance lines

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- Directors and Officers Liability
- Financial Institutions Professional Liability / E&O
- Cyber / Tech E&O

# Thank you

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## **Jeff Hanson**

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Jeff brings over 30 years Financial Lines insurance experience to Paragon. Initially involved in the production and design of Financial Lines policies, Jeff transitioned to an account executive role at Aon, focussing on large financial institutions (FIs) in Australia and the Netherlands. Jeff has vast experience placing a range of insurance programmes for an array of institutions from retail banks to share registrars. Before leaving Aon, Jeff was responsible for the North American FI portfolio that included some of the largest FIs in the region, as well as a significant government-sponsored enterprise and the oldest delegated underwriting authority FI facility placed in the London market. Having experience of placing digital asset insurance policies since early 2014, Jeff was also responsible for the placement of all digital asset business throughout the global Aon network into London. Since joining Paragon in 2019, Jeff has continued to focus on finding insurance solutions for financial institutions and digital asset firms across the globe.