

A Rise in Cryptocurrency Hacks

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Cryptocurrency was created as an alternative to the traditional monetary system, run on a distributed public ledger called a blockchain. Cryptocurrencies are an attractive asset to many investors as they are limited in quantity but are increasingly in demand, with over 420 million crypto users worldwide.

In the last year, several high-profile cryptocurrency hacks have occurred. This includes the hacking of the largest cryptocurrency exchange in the world, Binance, resulting in a loss of USD 566 million. This attack contributed to a record total of USD 3.8 billion in crypto-financial losses for businesses and individuals.

Alongside attacks on businesses, Decentralised Finance (DeFi), the financial infrastructure that facilitates cryptocurrency transactions, has become the biggest victim of cryptocurrency hacks, accounting for 82.1% of all cryptocurrencies stolen.

Considerations for underwriters

Despite the value of cryptocurrency such as Bitcoin falling by 60% last year, the increase in crypto heists demonstrates the heightened attractiveness of cryptocurrency.

Underwriters may want to review their crime wordings to ensure they have adequate protections in place against such losses.

Also, when conducting risk assessments of prospective policyholders, insurers may want to revisit the checks they make to ascertain whether crypto businesses have adequate security procedures in place.

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