

# Cost of insuring crypto “challenge” for custodians – expert

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Custodians will struggle to insure the digital assets they hold for clients if prices do not abate, an insurance broker has claimed.

“Current pricing is challenging for custodians and their clients, whether institutional funds, exchanges, coin issuers or individual investors,” Jerry Pluard, president of Chicago’s Safe Deposit Box Insurance Coverage (SDBIC), told Global Investor.

In principle, custodians may pass part of the insurance costs back to their clients through heftier fees, spreading the burden across the industry.

“Nonetheless, if current rates don’t soften, many institutions will continue to leave large amounts of digital assets exposed to risk of loss,” Pluard argued.

He added: “This could have a chilling effect on the continued inflow of traditional capital into the crypto market or worse: if there is a large uninsured theft from a known institution, destabilise the entire market.”

[On Tuesday, one of SDBIC’s clients made the headlines after it announced that it had used the broker’s services to secure crypto-currency insurance at the Lloyd’s of London marketplace.](#)

Kingdom Trust, a Kentucky-based custodian for fiat and crypto-assets, said the policy will protect its digital coin holdings against theft and destruction but declined to disclose the terms of the deal.

Pluard did not reveal further details but claimed his firm had secured a “significantly” lower price for Kingdom Trust than the current market rates, which he said stand between 1.5% and 1.8%.

He said prices, however, will take into account a custodian’s approach to risk.

Investors will increasingly demand protection on their crypto investments, and insurers will service the market provided it remains stable, according to Pluard’s predictions.

A number of insurance companies have signalled an interest in crypto, including AIG, XL and Allianz.

At Lloyd’s, there are about 10 syndicates either active or looking into the space, Pluard said.

But he warned that larger custodians might need several underwriters to insure their entire digital portfolio, arguing that it is unlikely that a single insurer will agree to take on all the risk.

“There’s more activity going on now,” said Pluard, noting that insurance is essential in attracting institutional investors to the crypto space.

“Having said that, if there’s another large hack where a significant amount of crypto-assets are stolen, I wouldn’t be surprised if the market retreated once again. I think there’s still a lot of questions on the asset class itself.”

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