BUSINESS INSURANCE

Bitcoin's best insurance option may be a hybrid policy

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The best approach to insuring Bitcoin risk may be a hybrid policy that incorporates several elements, including cyber, fiduciary, crime, property, and errors and omissions coverage.

It also is likely to be written in the excess and surplus lines market, experts say.

"Conceptually, it would require bringing together aspects of the specialist insurance industry," said Oliver Brew, New York-based vice president of technology and privacy at Liberty International Underwriters, part of Liberty Mutual Holding Co. Inc.

With a hybrid policy, in which all risks are covered by a single insurer, there is "no finger-pointing between carriers" if there is a claim, said Richard Magrann-Wells, vice president and financial services practice leader at Willis North America Inc. in New York. "You eliminate all the cracks."

Likely buyers include Bitcoin storage, training or mining companies, "so we're talking about very different types of entities with very different types of risks," he said.

However, it is unlikely any Bitcoin policy would cover currency fluctuations, given its wide swings in value, experts say.

It could be some time before a dedicated Bitcoin policy is introduced, Mr. Brew said.

"Product development is typically driven by the demands of our clients, in terms of innovation, and right now Bitcoin is a topic of great interest," but is not yet "mainstream," he said.

However, “I would not be surprised if carriers would not be putting serious effort into this in the next year or two,” said Ty Sagalow, president of consulting firm Innovation Insurance Group L.L.C. in New York.