

The Year Forward: 2025 Outlook for Digital Asset Insurance

In our previous article, NIACE reflected on the main events that took place in the digital assets space in 2024. Cryptocurrency bulls were finally rewarded for their patience as 2024 saw numerous historic highs for the digital assets space. The digital asset insurance space has traditionally been a laggard of the cryptocurrency market and 2025 promises to be a positive year for digital asset insurance players. In this article, NIACE will be providing a 2025 outlook for the digital asset insurance space and breaking down the sectorial headwinds as well as tailwinds.

Rising Institutional Demand for Digital Asset Insurance

As readers would already be aware of, there has been a surge in institutional participation and holdings directly resulting from the Bitcoin ETF approval in the US. Consequently, these institutions would require digital asset insurance to insure their digital asset holdings just like they would insure any other physical asset(s) under their ownership. This is a function of a maturing digital asset marketplace as institutional investors and custodians have a growing desire to better manage the risks associated with holding cryptocurrencies. Additionally, having these digital assets insured would further add credibility and repute to these institutions. NIACE projects that an increasing number of insurance underwriters would roll out more diverse digital asset insurance plans in the year ahead which would not only benefit consumers but also help underwriters capture a larger target audience leading to higher projected revenues.

A Watershed Year: A Recap of 2024 for Digital Assets and Digital Asset Insurance

2024 was an interesting year for cryptocurrencies and the digital asset space as many notable events took place throughout the course of the year. The developments are generally considered positive for the industry as it looks to put behind a rather muted year in 2023 for cryptocurrencies. In this article, NIACE will recount and summarise on what has happened within the digital assets space and how it has affected the digital assets insurance space.

The most notable event in the first half of the year was the Bitcoin halving event that cryptocurrency investors globally followed closely. Although largely muted due to other geopolitical and industry headwinds, this halving event took place at a time when there were numerous cases of fraud and negative sentiment towards digital assets. Additionally, it was largely thought that the market had already priced in the halving event in March 2024, resulting in a largely muted post halving performance. However, Bitcoin has since recovered and price levels have subsequently doubled over the course of the year.

Another pivotal event which took place and was arguably the main catalyst for the resurgence of Bitcoin price levels was the approval of Bitcoin ETFs in the United States. This was especially crucial for digital assets as it signaled a burgeoning acceptance of digital

assets as an asset class in the financial system and cemented its legitimacy as an institutional investment product. This also signaled the start of large institutional holdings as many financial institutions began to purchase and hold Bitcoin in swaths.

Finally, the main event that helped cap off a stellar year for digital assets was Donald Trump's US Presidential Election triumph. His election victory last month has since helped to drive price levels of Bitcoin to break historical highs and even cross the fabled \$100k price level. The most recent US election will probably be the largest price catalyst for digital assets for the foreseeable future much to the fanfare of cryptocurrency bulls.

With what has happened in the past year, the performance of digital assets has been nothing short of stellar largely driven by geopolitical events and market dynamics with a shift in perception towards cryptocurrencies as an asset class in itself.

This would likely see the rise of the digital asset insurance space as the digital assets market becomes more developed and robust. Consequently, such developments in the cryptocurrency markets would likely see huge developments for the digital asset insurance space as well. In the next article, NIACE will provide insights and a market outlook for the digital asset insurance space for the coming year.

Note: NIACE is an independent company and is not affiliated with any of the financial institutions (past and/or present) mentioned in our press releases unless otherwise specified. Views expressed in this article are purely for information purposes only and does not act as nor constitutes investment advice. Clients and readers are advised to conduct your own due diligence or consult your financial advisor(s) before making any investment decisions.