National Insurance Alliance Limited

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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.

Heightened Retail Investor Participation: Maturing Digital Asset Marketplace

Demand for digital asset insurance will be driven not only by institutions but retail investors. Such is the case of increasing retail investor participation in digital assets. 2024 saw a significant surge in retail participation for cryptocurrencies stemming mainly from the US presidential elections. Besides the US elections, cryptocurrencies has seen increased retail participation consistently from the COVID-19 period leading up to 2024. One meaningful indicator to look at is Bitcoin Transactions per Day which shows the daily number of transactions logged on the Bitcoin ledger. A bullish view on Bitcoin could result in a higher number of transactions which was seen in late 2017 as cryptocurrencies market capitalizations reached an all-time high. Although it dipped afterwards, 2024 saw a resurgence and average Bitcoin Transactions per Day saw strong growth. Consequently, as more retail investors are entering into digital assets, they would likely require digital asset insurance coverage just like how an individual would purchase house fire insurance plans. Therefore, NIACE forecasts that an increase in demand for digital asset insurance from retail investors could further prop up revenues. for digital asset insurance underwriters.

Favourable Policies for the Digital Asset Industry

NIACE covered extensively the highly anticipated November 2024 US elections which saw a pro-crypto Donald Trump emerge victorious. During his campaign run, Donald Trump was vocal about his positive stance towards the crypto industry. Numerous analysts and experts believe that the current next US president will follow through which would be exceptionally advantageous for digital asset insurance. NIACE predicts that favourable policies within the cryptocurrency space will also benefit digital asset insurance firms. For one, increased adoption of cryptocurrencies by traditional financial institutions could eventually lead to formalised regulatory frameworks that dictate financial institutions that hold digital assets to be covered by digital asset insurance. Additionally, a formalised regulatory framework could give the industry a much-needed boost in terms of the product offerings from underwriters.

Should regulatory rules require mandatory digital asset insurance coverage, this will undoubtedly drive revenue streams as the digital assets marketplace continues to mature.

Stiffer Competition Amongst Insurance Underwriters

The increase in demand for digital asset insurance has seen many traditional insurance underwriters jump on the bandwagon to offer digital asset insurance coverage. Traditional giants like Munich RE, Lloyds, and Aon have begun or will begin offering some form of digital asset coverage. This puts a lot of pressure on smaller independent underwriters who cannot afford to engage the traditional players head on. Therefore, smaller players will have to stand out from their traditional competitors and differentiate themselves by offering unique and more tailored products. Essentially, smaller players will be forced to adapt to market dynamics which will ultimately benefit the end consumer the most. However, this benefits the industry as a whole as it becomes more robust and developed as digital assets continue to gain traction.

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