MARKETS IN FOCUS
CRYPTOCURRENCY

Insurance Pricing &
Market Update

Q2 2022

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Introduction

Over the past few years, we have seen Cryptocurrency, blockchain technology and Decentralized Finance (DeFi) develop from a niche corner of the internet into mainstream technology. Within the realm of blockchain, DeFi, Non-fungible tokens (NFTs) and Cryptocurrency mining, we classify these assets as "digital risks," and will be referred to as such collectively throughout. In 2021, digital risks grew in valuation at an exponential pace, as NFTs, the Metaverse and staking all added more intrigue and ways for a wide array of participants to engage in this rapidly burgeoning industry. With governments, corporations, investors and retail all looking to capitalize on this new form of commerce, the industry continues to experience growth and new entrants continue to pour into the space.

The Metaverse

The Metaverse has become hot-button term, with corporations ranging from PWC to Microsoft using it in their business plans, but recently massive investment banks such as Morgan Stanley and J.P. Morgan have also added it to their lexicon.[1] With the complexity of the blockchain process, it makes committing fraud very difficult since the blocks of the network are constantly in the process of being validated. This creates a "single source of truth," which increases the speed of exchange, reduces the number of intermediaries (and the costs associated with each), improves security, digitalizes assets, provides better bookkeeping and enhances regulatory compliance.[2] As financial institutions and other industries across the globe continue to accept this, it is clear the world will continue to see a rise in the use of digital assets and thus commercial insurance brokers must be on the forefront of understanding this space. To better understand and be a leader in digital asset insurance, we have invested in digital real estate in Decentraland (making us the first insurance broker to do so) for research and development and to better serve clients' growing and varied digital asset insurance needs.

Blockchain

Blockchain and digital asset innovation comes at a cost, and household-name companies and financial institutions are making the initial push. These companies have invested money to advance the blockchain industry or are utilizing the technology to improve its state of evolution, growth and adoption.[3] In fact, thirteen of the world's largest banks have funded $3 billion into crypto and blockchain companies over the last few years, according to analytics company Blockdata.[4] Outside of banks and financial services, many other divisions such as Health Care, Insurance, Energy, Real Estate, Government and travel companies have adopted the new wave of blockchain by validating smart contracts, thereby minimizing the delay time of transactions and decreasing fraud exposure. In addition, many prominent business owners and entrepreneurs have invested heavily in digital assets such as the Winklevoss twins, Elon Musk, Michael Saylor, Warren Buffett and Mark Cuban.[5,6,7] In reality, this technology is a game-changer for any business that involves trading, contracts or protection from identity theft and will eventually be ubiquitous throughout these industries. To elaborate on the identity theft aspect, the blockchain technology can be useful for public sectors like elections, managing public records, healthcare (having records that are private but readily available) and retail for large transactions like real estate or auto.[8] As popularity grows, it is evident that the global adoption of cryptocurrencies, blockchain and other digital assets will be a part of daily life in the not-so-distant future.

Companies Using Blockchain Technology

Source: 101blockchains.com/companies-using-blockchain-technology/

BLOCKDATA

TOP BANKS INVESTING IN CRYPTO & BLOCKCHAIN COMPANIES (AUGUST 2021)

PROFILE/COMPANY	HQ	ASSETS UNDER MANAGEMENT	NUMBER OF INVESTMENTS	SIZE OF FUNDING ROUNDS AS A PROXY OF INVESTMENT	COMPANIES INVESTED IN
standard chartered	London, United Kingdom	$789B	6	$380M	Ripple, Cobalt, Dianrong, Metaco, Linklogis
BNY MELLON	New York, United States	$470B	5	$321M	Fireblocks, HQLAx, R3, Fnality International
citibank	New York, United States	$2,260B	14	$279M	BUCK, Chain, SETL, Axoni, Cobalt, Digital Asset, HQLAx, R3, Komgo, Symbiont
UBS	Zürich, Switzerland	$1,126B	5	$266M	Axoni, R3, Fnality International, ConsenSys
BNP PARIBAS	Paris, France	$3,081B	9	$236M	Digital Asset, HQLAx, METRON, R3, TradeIX, Komgo, Token
Morgan Stanley	New York, United States	$1,116B	3	$234M	NYDIG, R3, Securitize
JPMorgan Chase & Co.	New York, United States	$3,386B	8	$206M	Axoni, ConsenSys, Digital Asset, R3, HQLAx
Goldman Sachs	New York, United States	$1,163B	8	$204M	Axoni, HQLAx, R3, Coin Metrics, Circle, Blockdaemon, Veem
BARCLAYS	London, United Kingdom	$1,842B	22	$196M	RealBlocks, Safello, Avenews-GT, Chainalysis, R3, Crowdz, Everledger, Evernym, INVIOU, Wave. Photocert, Post-Quantum, Fnality International, ResonanceX, The Sun Exchange, SendFriend
MUFG	Tokyo, Japan	$3,408B	6	$185M	bitFlyer, Coinbase, R3, Komgo, Fnality International
ING	Amsterdam, Netherlands	$1,147B	6	$170M	HQLAx, R3, Komgo, Fnality International, Vakt
BBVA	Bilbao, Spain	$796B	5	$167M	Covault, Cambridge Blockchain, Everledger, R3, Solarisbank
NOMURA	Tokyo, Japan	$432B	5	$146M	Quantstamp, Komainu, R3, Securitize

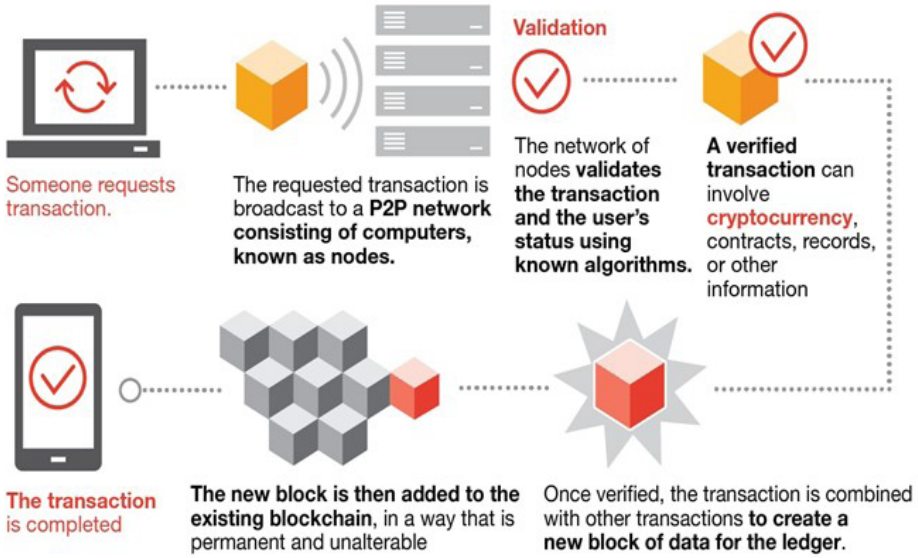
Source: https://www.blockdata.tech/blog/general/banks-investing-blockchain-companies

The Rise of Mining

Some examples of larger cryptocurrencies by market cap are Bitcoin, Ethereum, Tether, Binance Coin, USD Coin, Terra, Litecoin, Ripple, Tezos and Cardano, with Bitcoin leading the pack in market cap, user base and date of evolution (2009).[9] Since then, many other coins have become very popular. The majority of the tokens and coins today are derived from Bitcoin, which uses open-source code and a censorship-resistant architecture, meaning anybody can copy or tweak the code to create their own coin. Essentially, this allows other coins to join the Bitcoin network and transact in it as another form of cryptocurrency.[10]

Today, there are only about 4 cryptocurrencies within the top 10 market caps that are mineable on a large scale – Bitcoin, Ethereum, Litecoin and Bitcoin Cash. These top 4 make up about 65.5% of the crypto ecosystem and have a market cap of around $91.7 billion.[11] Within the top 20 cryptocurrency market caps, there are 8 mineable coins (Bitcoin, Ethereum, Litecoin, Bitcoin Cash, Bitcoin SV, Monero, Dash and Ethereum Classic). The number of mineable coins is actually quite minimal when considering the total number of tracked digital currencies fluctuates around 2,121.[12] The majority of these mineable coins can be mined with a standard CPU and ASIC machines.[13] The remainder of the digital assets have been minted, such as Ripple, Stellar and others that use the proof-of-stake (PoS) mechanism.[14] The process generally referred to as "mining" was intentionally designed to protect the currency's value through difficulty and scarcity.[15]

However, high levels of processing power and energy are required in the mining process, which has been criticized for its contribution to climate change due to the carbon burned while running the computers. This has resulted in the rise of many miners turning to renewable energy, primarily hydroelectric and solar power, to run their operations. With energy costs on the rise, tax credit opportunities and the ability to sell excess power back to the grid in some states, solar power is becoming more and more attractive in this venture. As the worlds of energy, construction and digital asset risks collide for crypto miners, it will be important to work with a broker who has experience in all of these risk areas so that holistic risk management solutions can be achieved.



Source: https://www.pwc.com/us/en/industries/financial-services/fintech/bitcoin-blockchain-cryptocurrency.html

Insurance Market Review

Per Chubb's Bermuda Large Loss Benchmark Report, "In 2021, the forces fueling liability and loss trends grew even more powerful. Social inflation – estimated to have increased commercial auto liability claims alone by more than $8 billion in the last decade – is exacerbated by surging social consciousness, ideological divides, and economic inflation, with the United States currently experiencing its highest inflation rate increase in over forty years.[16]

Litigation funding by third-party investors seeking portions from plaintiffs' recoveries reached $17 billion[17] in 2021, and the attractive returns from financing commercial lawsuits, mass torts, and other cases are drawing new categories of investors and facilitating more litigation."[18]

Changing climate and extreme weather again pummeled the global insurance and reinsurance markets in 2021. Insured natural catastrophe losses reached an estimated $122.4 billion[19] in 2021, marking the fifth consecutive year of above-average catastrophe losses. Actuarial models struggle to play catch-up and reflect the unprecedented frequency and secondary-peril-driven severity of these catastrophic events.[20]

The global pandemic has amplified already-formidable exposures such as strained logistics and supply chains, shifting workplaces and employment practices and accelerating digitization. Businesses face growing risks that no longer seem cyclical, and our collective thinking about risk, rate and capital deployment must adapt to this reality.[21]

By-Line Third Quarter 2021 Rate Changes Ranged From 0.3% to +15.0%

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Fourth Quarter 2021	8.0%	0.3%	10.5%	6.4%	15.0%	8.1%
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%	8.1%
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%
First Quarter 2021	9.0%	1.0%	12.0%	6.2%	19.7%	9.6%
Fourth Quarter 2020	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Per CIAB, latest version available: https://www.ciab.com/resources/q4-p-c-market-survey-

2022 Insurance Market Outlook

Early 2022 market conditions are suggesting that pricing trends continue to improve from the highs in late 2020 across most lines and regions for accounts with desirable risk characteristics.[22] Factors like inflation-driven higher claims costs across all lines of business, along with social inflation in the U.S. and low interest rates are still drivers for the elevated pricing environment, but underwriters are generally willing to extend capacity to risks they like. It is this level of discipline that has helped soften many markets and why we are referencing this current market state the "disciplined market" as opposed to the "hard market."[23] Granted, there are still difficult classes of business to write and loss history will continue to be paramount for new business and renewals. Strong recovery from the COVID-19 pandemic has also boosted the market outlook, but economic growth is expected to slow down over the next few years as the Fed looks to apply decelerating monetary policies, coupled with supply chain issues and inflation risks.[24] On top of these factors, CAT risk exposures will continue to add volatility to the market. Despite intense competition, the global recovery trend is clear and investors are still optimistic about the insurance market with an influx of new investments entering in the future.[25] In regards to technology initiatives in the P&C market, this sector is primed for investments: reports show that Insurtech investments reached $7.4 billion in the first half of 2021 as carriers look to utilize AI and machine learning to lower underwriting costs.[26] According to Market Watch, "The high adoption of advanced technology and the presence of large players in this region are likely to create ample growth opportunities for the market and hopefully additional capacity will follow."[27]

Property

Property pricing continues to be volatile, but the market is generally healthy. The availability of capacity and pricing depends on risk perception as well as geographic location, particularly in Texas, Louisiana and Florida given these state's CAT exposure and questions raised around quality control as demonstrated in the recent Sunnyside, Florida condo collapse. The recent wildfire impacts in the west have caused a significant shortage in capacity. The situation is especially pressing in California, Oregon, Washington, Utah, Idaho and Colorado where high winds and low humidity have made containment operations more difficult.

+ A major concern for carriers is the ongoing shortages of building materials and increased labor costs, which is having an inflationary impact on property values. The gap between reported and replacement values have consistently been a pain point for carriers and underwriters when a claim arises.

In the past, coverage was mostly offered by Lloyds and Bermuda-based carriers; now we are seeing a handful of standard markets entering the space with significant capacity (up to $50M primary). Building towers into the hundreds of millions is much easier than in the past, but still requires many E&S players.

+ The E&S market remains at the forefront of this coverage while admitted carriers are generally reallocating their exposure portfolio in certain geographical areas. Although these markets are still wary when insuring property, the E&S markets will continue to be an important outlet for property insurance capacity and may be the only option for operations in those regions with a higher CAT exposure.

Property coverage is one of the most essential lines of business for cryptocurrency miners from a cost standpoint. Depending on the type of construction for the building, rates can be higher or lower. **The two main types of buildings for crypto miners are:**

+ **Modified shipping containers** – Many sites are built with a substation and multiple modified containers to house their ASIC miners. This allows miners to spread out the risk and reduce business interruption exposure.

+ **Retrofitted data centers/mills/factories** – This class of building is tougher to insure due to the age of the building, construction is not always suitable for extremely high-energy operations. When planning new sites, insureds should consider the location and construction type specifically with regards to the cooling and ventilation requirements. These retrofitted centers can be much more expensive and difficult to write.

Concerning content, typical property policies provide replacement cost coverage, which can be difficult for insuring ASIC machines due to their price volatility with chip shortages and supply chain constraints. Due to the difficulty in assessing the value of ASIC computers in the event of a loss, carriers can exclude losses or cap coverage for these losses.

To ensure lower rates and adequate coverage capacity, both building classes need to implement cooling systems (with liquid immersion cooling being the best), A/C and ventilation requirements, automatic shutoffs, clean agent fire-suppression (not sprinklers) and very-early-smoke-detection-systems (VESDA). Additionally, ASIC miners are highly valued on the black market and theft is a major issue, so a robust security detail is another major consideration. Some precautions insureds need to consider are 24/7 monitoring, security fencing, ram-proof barriers, motion cameras, smart fencing, guard shacks and alarm systems.

Business Interruption ("BI")

Business Interruption coverage is currently a grey area for cryptocurrency mining due to the lack of historical data for actuarial modeling, industry volatility and underwriting difficulty. Cryptocurrency mining has many exposures and liabilities due to its complexity, leaving most carriers sitting on the sidelines with questions as opposed to extending and expanding their portfolio capacity. Per Garrett Droege, our Director of Innovation + Strategy, "This is still a developing market. With our direction and guidance, carriers are beginning to understand this area of exposure and are beginning to offer tailored coverage options based on our proprietary crypto business interruption methodology."

For miners using solar energy to power their operations and are in states that allow them to sell power back to the grid, this could cause a complication for BI claims. For example, during the Great Texas Freeze in 2021, some Bitcoin miners were able to power down their operations and sold their excess electricity back to the grid or their neighborhoods for profit.[28] This income could potentially diminish or preclude any business interruption recovery since this would technically show that the business wasn't completely incapable of generating revenue.

Extra Expense

This coverage pays for any additional costs on top of the normal operating expenses that an organization must incur to proceed with business during the repairs to the property damaged by a covered loss. If a mining facility experienced a fire, snowstorm, power outage or any other loss event that would suspend operations, extra expense would help cover the costs to allow the business to operate until the insured property is functioning at its normal level. Due to the more straightforward nature of these claims (i.e., renting a new facility to continue operations, or paying overtime to employees or temporary workers as a result of the loss, etc.) and loss pricing volatility associated with their costs, these endorsements and coverages are generally easier to achieve with underwriters than BI.

Builder's Risk

The Builder's Risk market is seeing increases in pricing and retentions not only due to significant losses as a result of large fires but also an increased frequency with smaller claims. Large wood frame, modular construction, and renovation projects continue to be the most challenging projects to place. Property developers need to clearly communicate with their contractors when retrofitting data centers or other facilities for mining operations due to all the necessary building upgrades, complexity of the contractual agreements and to also ensure the improvements are sufficient for the operations. Overall, rate increases are becoming more common given the current demand and price for lumber and other building materials. The insurance industry is currently experiencing a major crisis with labor shortages and supply chain issues causing unwelcome delays in projects. This has led many insureds to seek extensions which can be problematic for carriers because their risk models may not accurately reflect this situation as it exists today.

+ Many Builder's Risk carriers are also accessing specific deductibles for water damage and water intrusion, which can be $100k or greater. Given these significant deductible levels, it will be important for those looking to build or retrofit a space to understand these large potential hits to cash flow and to have discussions with their contractors regarding who will be contractually responsible, should certain events occur.

Executive Risk & Specialty Coverages

Cyber

With cyberattack frequency and severity on the rise, digital assets are at extreme risk. Those in the cryptocurrency space would be wise to consider **Cyber Insurance** as a backstop to robust cyber risk management protocols. Since digital assets are non-tangible and held within digital wallets, hackers and cyberattacks are inevitable. Digital currencies are highly sought after due to its high values and various uses, but blockchain technology can encompass much more valuable information like smart contracts, personal information, medical documents and various other ledgers containing valuable information to hackers.

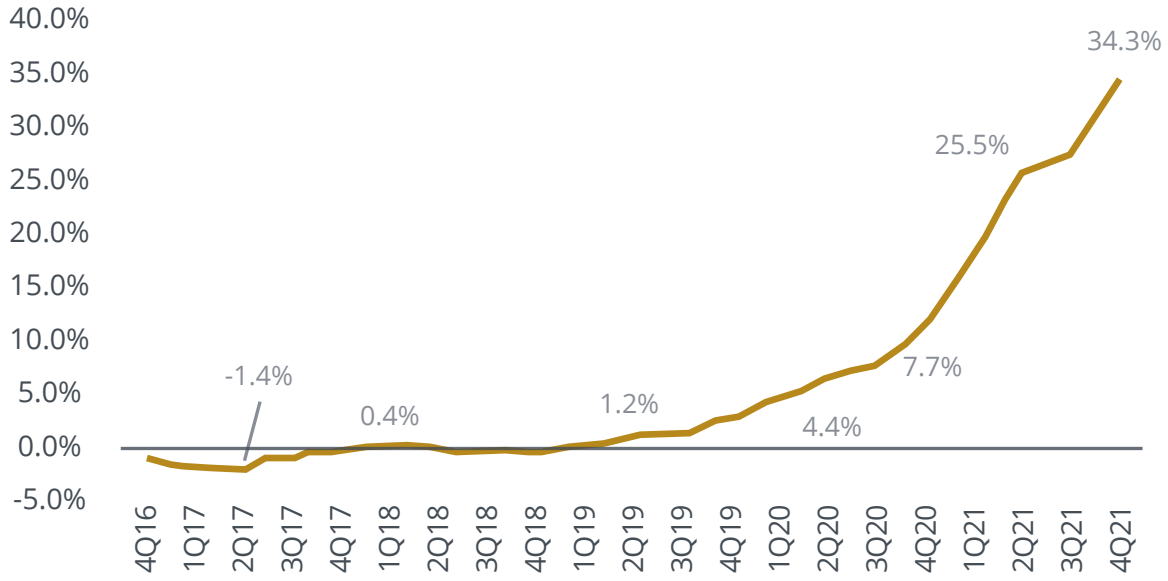
Since digital assets are non-tangible and held within digital wallets, hackers and cyberattacks are **inevitable**.

The most common forms of cyberattack are phishing, ransomware, and cyber extortion. Many threat actors are gaining access through unsecure Wi-Fi networks or Internet of Things (IoT) devices (which are all used in the exchange or mining process for digitals). The cost of these incidents can be very high. For example, according to Investopedia, "in January 2018 a massive cyberattack happened to Coincheck which amounted to nearly $534 million. This hack was one of the biggest theft incidents in the history of digital assets and an unsecured hot wallet was the culprit in the theft."[29]

As more high-profile attacks make news headlines and concerns over more attacks resulting from geopolitical tensions increase, carriers have responded by increasing rates, limiting language and diminishing capacity. Additionally, due to the high severity of losses and the need for more disciplined capacity in the space, there has been an emergence of InsurTech carriers in the world of cyber insurance. These firms have moved beyond static questionnaires and are using proprietary technology to probe insureds' cyber defense and response systems in their underwriting processes to determine what coverage and limits will be offered. Regardless of the carrier looking at the business, insureds will need to prove that they have sophisticated cybersecurity controls in place just to receive a quote. One such control carriers are demanding to see out of insureds is Multi-Factor Authentication (MFA) since this protocol can deter ransomware and social engineering attacks. Many carriers will not even quote accounts without MFA implemented or will make binding subjective to a 30 to 60-day adoption of a stringent MFA policy across the company.

For public companies, it is also important to note that the Securities and Exchange Commission issued a new rule aiming to enhance and standardize disclosures regarding cybersecurity risk management and incident reporting. The new rule will require companies to disclose via 8-K information about a material cybersecurity incident within four business days. It also requires updated disclosures on previously disclosed incidents, as well as when a series of undisclosed immaterial cybersecurity incidents become material in the aggregate. Lastly, it requires reporting companies to describe their cybersecurity policies and procedures, if any, management's role in implementing cybersecurity policies and procedures and whether the board of directors possesses cybersecurity expertise.

Premium Change for Cyber, Q4 2016 - Q3 2021



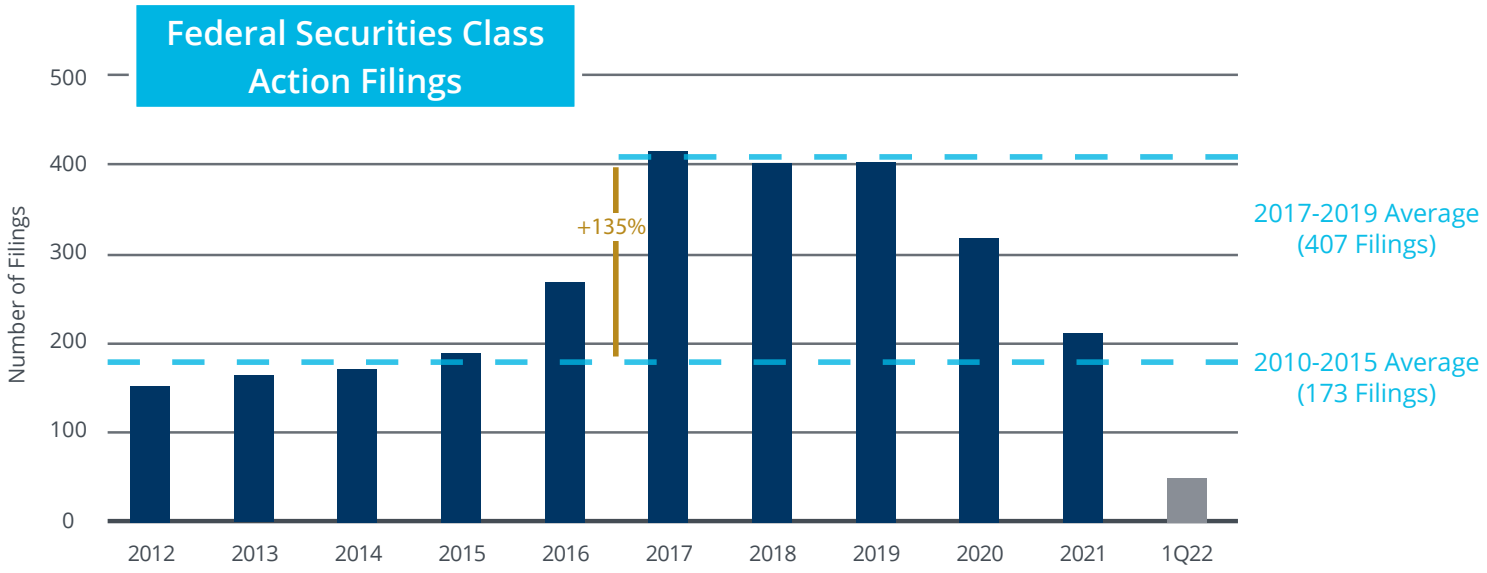
Source: ciab.com/resources/q4-p-c-market-survey-2021/

Technology Errors & Omissions (Tech E&O)

For companies providing advisory services, creating blockchains or selling software in the digital asset space, Tech E&O will be an important line of coverage to consider. Tech E&O compensates claims related to professional mistakes that cause third-party damage. For example, a loss related to software you sold to a client had glitches that caused them to lose a month's worth of billing data would be covered by Tech E&O and would pay for the cost to recreate the billing data and additional costs associated with collecting the billings.

Directors & Officers (D&O)

For the last two years, D&O claim filings have trended downward compared to their elevated levels in 2017, 2018 and 2019. In 1Q22, 47 total D&O cases were filed, which would imply an annualized estimate of 188 total filings in 2022. This would represent the third year in a row of year-over-year decreases in total cases filed (210 cases were filed in 2021 and 328 were filed in 2020). Given this downward trend, elevated lawsuit dismissal rates, frequency of SPAC-related litigation still evolving and new capacity entering the marketplace, D&O pricing for recent renewals have consistently been more favorable than the rate highs of 2020. Companies considering an IPO, or a de-SPAC transaction should continue to expect elevated pricing and retentions, but both are generally more favorable than a year ago. Given market conditions and the need to ensure proper coverage for IPOs and de-SPACs, it will be paramount to engage your D&O team as early as reasonably possible.



Navigating 2022

- **Building Valuations** – Building owners or lessors need to make sure the value of the building reflects recent changes made (i.e., new ventilation systems, adding more mining ASIC computers, automatic shutoffs, clean agent fire-suppression and VESDA, etc.) This will help with potential coinsurance problems and mitigate surprises to cash flow due to underinsured losses. It is important to keep your broker up to date with any changes made to the building, and update coverage to reflect sufficient values to ensure there are no gaps with your insurance coverage.

- **Care Custody & Control** – Cryptocurrency mining operations need to consider care custody solutions when mining or holding coins for another company or individual. Custody solutions are one of the most recent innovations to evolve in the cryptocurrency ecosystem.[30] Private keys are used to conduct transactions or access to crypto holdings, and therefore losing physical custody is a real possibility for hot wallets or wallets connected to the internet.[31] According to Investopedia, "The other important reason for the existence of cryptocurrency custody solutions is regulation. According to SEC regulation promulgated as part of the Dodd Frank Act, institutional investors that have customer assets worth more $150,000 are required to store the holdings with a 'qualified custodian.'"[32] For investors who do not want to manage or hold their own digital assets, it is important to understand the third-party custody security measures and effectively communicate these precautions with your broker.

+ **Cyber Security** – Digital assets have been one of the fastest growing industries over the past decade, approaching nearly $3 trillion in total value, and are showing no signs of a slowdown.[33] This exponential growth has unfortunately caught the attention of the cyber-criminal world.[34] According to Techradar, "This has led to an explosion in cryptocurrency scams in the past year, with Action Fraud estimating that such scams have risen by 57%."[35] With the probability of cryptocurrencies becoming a mainstream asset class in the near future, it is critical for investors and players in this space to have a security-first approach by implementing multifactor authentication, using hardware wallets when available to store in cold wallets or offline computer environments.[36] The average cost of a data breach is unknown for cryptocurrency, but the Wall Street Journal reported that $1.7 billion in cryptocurrency has been stolen in recent years.[37] Stock exchanges facilitate trading but do not actually hold securities on behalf of the investor, whereas cryptocurrencies exchanges charge trading fees and store securities for investors. According to analysts, this makes crypto exchanges sitting ducks for theft.[38] Cryptocurrency exchanges are "easy to breach, with minimum effort and expense from attackers and with maximum return on investment," said Robert Statica, president of BLAKFX, a cybersecurity firm in New York.[39] Since cryptocurrencies are fully decentralized, with no central authority monitoring transactions and low levels of regulation, it makes cryptocurrencies a criminal's playground. All business and exchanges that use cryptocurrency exchanges are exposed to many risks and cyber security is at the top of the list.[40] Depending on the operations, if the digital assets are being held on behalf of another party, it is important to maximize your security measures and implement care, custody and control.

Cryptocurrency scams have risen by **57%** in the past year

Keys To Success In 2022

+ **Begin the Renewal Process Early** – The **General Liability, Excess/Umbrella**, **Cyber**, and **Property** markets have become constrained and more difficult to navigate in the disciplined market. Additionally, many carriers in the digital asset space are weary to place certain coverages or are offering less capacity and thus more carriers are being required to achieve desired limits. Due to general price increases across all lines of coverage and all industry sectors in the disciplined market, underwriters are being inundated with submissions as brokers and insureds look to minimize the additional costs. As such, turnaround times for quotes are increasing. To ensure success, insureds should start their renewal processes earlier than usual and allow brokers the time necessary to successfully canvass markets. If an underwriter is not yet decided on a company's terms of coverage or how much it will cost for insurance, then negotiating prices might become necessary, something which could lead some businesses into entering a captive since they cannot attain enough information from primary sources regarding pricing trends and capacity.

+ **Partner with Industry Experts** – The digital asset space presents a unique set of challenges and risks, and it is important to work with a broker who truly understands the business and the market for placing the risk. With the challenges insureds are facing in the more disciplined insurance market, it will be paramount to have a team able to best represent your risks, offer risk control services to improve processes, and demonstrates strong, reliable carrier relations. We take pride in our strong relationships with key trading partners, but even more so in difficult times. It is an evolving market and there is a lot of carrier education required for this risk, so partnering with a broker who is at the forefront of educating underwriters in this unfamiliar space is top priority. We have taken the initiative to plead client's cases and bridge that gap of conformability with new exposures like digital risks. This interaction not only builds rapport and allows the client to put a face (or voice) to a submission by telling their company's story; it also allows for insureds to control the narrative of their risk versus letting underwriters decide. This is particularly true if there have been losses and insureds are then able to explain what happened and use the opportunity to discuss lessons learned and what new practices have been implemented as a result, as opposed to underwriters simply reading a loss run.

+ **Client Advantage** – When insureds are considering new operations or entering the industry for the first time, it is important to communicate with your broker on the front end to ensure adequate valuations and coverages. Our experts can consult during the process of building new facilities, as well as in the acquiring, designing and implementing of new technologies. To avoid costly events during this process, it is important to be fully transparent and partner with a broker who is knowledgeable in this space.

+ **Highlight Cybersecurity** – With cyber policies becoming more expensive and difficult to place, it will be important for insureds to highlight the specificity of their cybersecurity programs. It is vital to highlight any additions in cybersecurity staffing or upgrades to programs as well as lessons learned from previous attacks or from remote learning. Insureds in the digital asset world should consider cold wallets verses hot wallets and have a multitude of security measures implemented when the transfer of assets takes place.

+ **Familiarity of State and Federal Laws** – Insureds should strive to be familiar with the laws applicable to their insurance program, risk management strategy and operations. There can be significant differences in litigation outcomes state by state and even county by county depending upon the jurisdiction. When insureds are looking to move or start operations at a new location, best practices would be to partner with your account team for consultation and optimal results when placing coverage.

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Editor-in-Chief

JOHN SEEGER, *Marketing Strategist, Market Intelligence & Insight*

Markets in Focus Contributors

PATRICK DATZ, *Vice President*

GARRETT DROEGE, *Director of Innovation + Strategy*

ALEX FULLERTON, *Marketing Specialist*

CJ PRUE, *Account Executive*

RENEE STOCK, *Account Executive*

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