



Holding Cryptocurrency – Is Your Wallet Hot? Consider Whether Your Assets Are Insured Under A Homeowner's Or Commercial Policy¹

Many individuals and businesses hold some amount of cryptocurrency. Since the first Bitcoin was “mined” in 2009, nearly 10% of Americans have invested in cryptocurrency according to a recent survey. And, along with the rise in prevalence of virtual currencies in recent years has come a surge in cryptocurrency theft, with one Ponzi scheme defrauding cryptocurrency investors out of \$2.9 billion dollars in 2019. Those who invest in, use and hold cryptocurrency should protect their assets. Sometimes that includes insurance, but individuals may have difficulty obtaining coverage for their cryptocurrency.

Bitcoin is just one cryptocurrency built on the technology called the blockchain. Other virtual currencies include Ethereum, Ripple, Litecoin, Monero, and ZCash.

Individual Currency Owners and Homeowner's Insurance

Homeowner's insurance protects the insureds against the loss of certain property. For example, a thief breaks into your home and steals your television. That loss will likely be a covered loss of property under a standard homeowner's policy. But, are owners of cryptocurrency insured if a thief hacks their computer and steals their virtual currency? Is that a covered loss?

Part of the answer relates to the question – what *is* cryptocurrency? Are these virtual currencies a security, money, property, a commodity, or something else?

The Securities and Exchange Commission's position is that cryptocurrency is, or at least can be, a “security,” cautioning that “issuers [of virtual currencies] cannot avoid the federal securities laws just by labeling their product a cryptocurrency or a digital token.” On the other hand, the [IRS has issued Notice 2014-21](#), identifying cryptocurrency as “property” for federal income tax purposes. Still a third possibility is that cryptocurrency, which can be used to purchase goods and services, is properly classified as money.

With the uncertain classification of cryptocurrency in mind, could it be covered by homeowner's insurance? We are unaware of any homeowners' insurance policies that specifically address the loss of cryptocurrency. Thus, the loss may not be covered or it would be silently covered if the currency is classified as something else that the policy does name as a covered loss.

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