

Computer equipment used for cryptocurrency mining won't be insured, Old Mutual warns

The world of cryptocurrencies or digital currencies is growing rapidly as digitisation continues to disrupt the financial services industry. Mining these cryptocurrencies usually requires expensive computers, servers and other equipment. It is important for people to note many insurers do not insure this equipment due to the unregulated nature of crypto mining.



Image source: Getty/Gallo

Old Mutual Insure has opted out of insuring computer equipment used for cryptocurrency mining due to the unregulated nature of the industry, which is often associated with cybercrime, and its penchant for using modified electronic infrastructure that operates on a 24/7 basis, making it highly prone to overheating and other malfunctions.

The insurer has begun advising its branches not to insure any businesses involved in cryptocurrency mining following extensive industry research as well as an in-depth review of claims from clients that have already incurred losses to equipment used for cryptocurrency mining.

Cryptocurrencies are a form of digital asset designed to work as a medium of exchange, which use cryptography to secure financial transactions and control the creation of additional cryptocurrency units created in the “mining” process. Old Mutual estimates that there are at least 1,565 cryptocurrencies being used globally with Bitcoin being the most popular and a host of others such as Ethereum, Litecoin, Ripple, Dash and Monero vying for attention from speculative investors.

Unregulated fledgling industry

“We have chosen not to provide cover for this type of risk as it is quite tricky to conduct a proper risk analysis of an unregulated fledgling industry that is already on the radar of financial authorities due to the unfortunate association with money laundering and cybercrime,” said Old Mutual’s insurance expert Christelle Colman. “It is also a highly volatile industry that attracts a lot of speculators so there is no proper risk rating structure in the local market for this type of risk.

Even doing a comprehensive inventory of the insured equipment is difficult because the value of the highly modified computer equipment is typically inflated and almost impossible to verify as it is usually imported from obscure suppliers in the Far East.”

Cryptocurrency mining operations are typically constructed of hefty application specific integrated circuit (ASIC) devices that are not only expensive but can overload the CPU (computer central processing) or GPU (graphic processing units) as they are usually run at 100% capacity.

There is also the added complication that cryptocurrency mining is often associated with highly speculative trading activities, meaning the businesses involved can be prone to going bust.

“Old Mutual is currently conducting a comprehensive risk analysis of all clients involved in computer heavy business activities as well as third party service providers such as software developers and web designers to ensure that they are not involved in cryptocurrency mining,” says Colman.

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