
Popular Science Summary

Back in 2008, a person or group of person under the pseudonym Satoshi Nakamoto unveiled a groundbreaking concept that would revolutionize the world: Bitcoin. Since then, Bitcoin has become an enduring buzzword, captivating the global stage. Its core objective was to establish a decentralized electronic cash system, liberating society from the grip of powerful entities that dominate financial services.

However, we won't delve deeply into Bitcoin itself. Instead, this paper focuses on the new applications that have emerged from the technology behind it—blockchain. If you haven't heard of the concept of blockchain, it can be described in simple terms as a decentralized and immutable ledger. In this new space, decentralization is the key.

As people began exploring Bitcoin and its possibilities, new applications started to emerge. Some of these applications simply run on top of the Bitcoin blockchain, while others decide to create their own separate blockchain. The most prominent example of the latter is Ethereum, which has expanded the possibilities of this peer-to-peer electronic cash system far beyond financial services. The properties of immutability and decentralization can be extended to other industries such as art, healthcare, supply chain, and more.

In particular, the art industry has been instrumental in the creation of assets that are the subject of study. Artists' minds are constantly brimming with creative ideas, always seeking ways to differentiate their art and come up with unique concepts never seen before. What if we combine that frenetic way of thinking with the expertise of a tech entrepreneur? That's exactly what happened in 2014 when Kevin McCoy and Anil Dash joined forces to create a new form of digital art—one that allows tracking the history of ownership, also known as provenance, which is highly valued by collectors.

Over the years, this concept continued to evolve, eventually leading to what we now know as NFTs (Non-Fungible Tokens). While the roots of NFTs can be found in the digital art industry, their potential applications go far beyond that. Many skeptics consider these digital assets as a Ponzi scheme, and you may have seen people making fun of collectors on social media by posting a screenshot of one of the famous apes accompanied by a comment like, "Sorry I stole your NFT". Somehow this is what this project is about, but for real thefts, not simple screenshots, of course. This paper will explore what these assets are, how they can be used, and

why taking a screenshot doesn't make you the real owner.

At the time of writing, the lowest price to buy one of these apes, for example, is around \$80,000. The problem lies not in the price itself but in the concerns of users who want to join this community. While some can afford to pay \$80,000 due to being avid fans of the collection, such as celebrities like Paris Hilton or Jimmy Fallon, the space is plagued by cyberattackers targeting less experienced users. This diminishes the attractiveness of the user experience and damages the reputation of the space. This is where insurance can come into play, offering the protection users need and providing them with advice on how to avoid being targeted.

For insurers, the challenge arises when creating new policies because they typically rely on past observations and historical data to predict the cost of claims for the company. In this relatively new space, where we are still striving to fully understand the technology, such extensive information is lacking. So, what can insurers do to dip their toes into this field? I believe there is no perfect answer to that question, so adapting to the limited information available seems to be the only option.

The NFT market is now sizable, with a variety of assets that could be covered by insurance policies. However, when we think about the future and the ongoing projects related to the metaverse and alternative realities, we realize that the range of insurable digital assets will likely experience a significant expansion. Therefore, it is interesting for insurers to start exploring this space, offering initial policies that will help gather valuable information and iteratively improve the initial models until a complete final version is achieved.