

# Is My Money Insured on Crypto Exchanges?

*What Exchange Insurance Actually Covers and Why It Is Not What Most Investors Think*

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The protections available to crypto investors on exchanges are significantly weaker than the protections available to bank depositors. Understanding exactly what is and is not covered is essential for making informed decisions about where to hold your assets.

## What Crypto Exchanges Actually Offer

Exchange	Protection Type	What It Covers	What It Does NOT Cover
Coinbase	Crime insurance + FDIC on USD	Exchange-level theft of hot wallet assets	Individual account compromises, crypto holdings above limits
Binance	SAFU emergency fund	Exchange-level security incidents at discretion	Individual losses, insolvency, unlimited coverage
Most Exchanges	Commercial crime insurance	Partial coverage of hot wallet theft	Personal security failures, insolvency, market losses
Banks (FDIC)	Government-backed deposit insurance	Up to \$250,000 unconditionally	Above \$250,000 per institution

## What Is Typically NOT Covered

**Individual account compromises.** If your personal account is accessed through phishing, a compromised password, or SIM swap — exchange insurance almost certainly does not cover this. The insurance protects against exchange-level failures, not individual user failures.

**Market losses.** No exchange insurance covers losses from market price movements. If the value of your crypto holdings falls, that is not an insurable event.

**Exchange insolvency.** This is the critical gap. When FTX collapsed in November 2022, customer assets were not protected by any insurance. Customers became unsecured creditors — among the last to receive any recovery after secured creditors and legal fees were paid.

**Protocol failures and smart contract bugs.** If a DeFi protocol suffers a smart contract exploit, there is no exchange insurance that covers these losses.

## The FTX Lesson

FTX was the second-largest crypto exchange in the world. It was regulated, audited, and widely considered trustworthy. When it collapsed in November 2022, approximately \$8 billion in customer assets were lost. There was no insurance to cover it. Customers became unsecured creditors in a bankruptcy proceeding that returned a fraction of original balances years later. No exchange insurance, no matter how it is marketed, provides the same certainty as holding your own private keys.

## The Only Guaranteed Protection

The only genuinely guaranteed protection for crypto assets is self-custody — holding your assets in a hardware wallet where you control the private keys. When you hold your own keys, there is no exchange that can be hacked and lose your assets, no platform that can go insolvent and freeze your funds, and no insurance policy with exclusions that leave you unprotected.

## How to Think About Exchange Risk

**Only keep on exchanges what you actively need for trading.** The amount you hold on any exchange should be the amount you would be comfortable losing if that exchange was hacked or became insolvent tomorrow.

**Prefer exchanges with transparent proof of reserves.** Following FTX, major exchanges began publishing cryptographic proof that they hold at least as much in assets as they owe to customers. Prefer exchanges that demonstrate this transparency.

**Understand that insurance is marketing until it is tested.** An exchange's insurance claims are meaningful only when actually paid out following a loss event. The history of crypto exchange insurance is mixed.

## Key Takeaway

Crypto exchange insurance exists but is not equivalent to bank deposit insurance. It typically covers exchange-level security incidents with limits and exclusions that leave significant gaps — particularly for individual account compromises and exchange insolvency. The only guaranteed protection is self-custody through a hardware wallet. Use exchanges for trading. Store value in cold storage you control.

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