

# ETH2 Staking Cover (Umbrella Structure)

## Cover Wording

The Mutual *may* pay a claim under this ETH2 Staking Cover (Umbrella Structure) if during the **cover period** one or more of the **covered validators** incur **penalties and missed rewards** greater than the **deductible** in any continuous 40 day period.

Claim payments will reimburse 100% of **penalties and missed rewards** in excess of the **deductible**, subject to a maximum claim payment of the **cover amount**.

The Covered Member must submit a claim at least 72 hours after any claim event (“cool down period”); and during the cover period or within 35 days of the cover period ending.

This cover wording and any associated addendums constitute the entire cover terms and no member or the mutual as a whole shall be liable or bound to any other member in any manner by any warranties, representations or covenants outside this cover wording.

## Definitions

**Penalties and missed rewards** means;

- all deductions made from the **covered validators** on the **ETH Proof-of-Stake Chain**, and
- any missed consensus rewards as a result of being offline, and
- for periods post the Ethereum network “Merge”, any **transaction rewards** as part of execution rewards missed as a result of being offline,

subject to a maximum of the **validator coverage limit** per validator less any **excluded penalties and rewards**. *See note on penalties and missed rewards calculation.*

**Excluded penalties and rewards** means;

- any penalties applied to **covered validators** during a period where there is a widespread network issue which results in penalties being applied to more than 10% of total active validators on the entire **ETH Proof-of-Stake Chain**, and
- any penalties applied to **covered validators** during the cover period as a result of offenses incurred prior to the start of the **cover period**, and

- any missed rewards from the covered validator being outside the active validator set, and
- any other form of missed rewards not specified in **penalties and missed rewards** including, but not limited to, any onchain or offchain revenue in connection with the prioritisation or reordering of transactions, generally called Maximal Extractable Value or MEV.

**Transaction Rewards** means any priority fees or tips recorded in the on-chain data only and specifically excludes any Maximal Extractable Value or MEV. *See note on penalties and missed rewards calculation.*

**Deductible** means 0.25 ETH per covered validator.

**Covered validators** means the list of ETH proof-of-stake validators included in the on-chain data provided by the covered member when the cover was purchased.

**Cover Amount** means the maximum claim amount payable under the cover and is chosen by the covered member when cover is purchased. The **Cover Amount** is denominated in ETH and must be at least equal to the number of **covered validators** multiplied by the **minimum cover amount per validator**. *See note 3 for dealing with any inconsistencies.*

**Minimum Cover Amount per Validator** means the lower of;

- a) 2 ETH; and
- b)  $200 / \sqrt{\text{number of covered validators}}$  ETH.

**Cover Period** means the period of time that a Covered Member is protected under this Cover, chosen by the Covered Member when purchasing Cover and stated in the Member Smart Contract Data.

**ETH Proof-of-Stake Chain** means the chain that launched on December 1st 2020 around noon UTC, initially called the Beacon Chain, that introduced proof-of-stake to the Ethereum network and is now used to validate Ethereum main-net consensus after the Merge.

## Notes:

### Note 1 - Calculating Penalties and Missed Rewards

The **ETH Proof-of-Stake Chain** only records the net amount of rewards less penalties in any particular epoch. To calculate **penalties and missed rewards** Nexus Mutual will use `rated.network`'s calculation or if deprecated any other generally accepted calculation. `Rated.network` calculates penalties by taking estimated rewards less actual rewards and therefore fully adheres to the **penalties and missed rewards** definition pre-Merge.

Post “Merge”, missed rewards will also include missed **transaction rewards** and will rely on `rated.networks` calculation which can include reasonable estimations and/or averages to determine the actual loss amount.

### Note 2 - Multiple Events impacting Different Validators

The 40 day time period can be applied at either the individual validator level or across multiple validators. Where there are different time periods covering different validators, cover holders are encouraged to submit one claim covering all losses and provide detail of the penalties calculation used.

### Note 3 - Inconsistency between Covered Validator List and Minimum Cover Amount per Validator

If the chosen **cover amount** divided by the number of validators included in the **covered validators** list is less than the **minimum cover amount per validator**, then validators from the bottom of the list, up until the point where the remaining validators multiplied by the **minimum cover amount per validator** corresponds to the **cover amount**, shall be deemed excluded from the **covered validators** list.