

ETH Slashing Cover terms (the “Slashing Terms”)

These Slashing Terms govern the use of the ETH Slashing Cover.

Claims

1. **Claim:** Claim Assessors *may* approve a claim made by a Covered Member under these Slashing Terms if during the Cover Period one or more of the Covered Validators incur Penalties greater than the Deductible in any, or up to any, continuous forty (40) day period (refer to Note 2) (the “**Claim**”). For the avoidance of doubt, Excluded Penalties are not covered under these Slashing Terms unless otherwise specified in the Schedule.
2. **Claim submission:** The Covered Member must submit a Claim:
 - a. at least 72 hours after all Penalties are applied and during the Cover Period; or
 - b. within 35 days of the Cover Period ending.
3. **Redeeming:** Subject to a successful approval of a Claim, the Covered Member may redeem the approved Claim Amount within thirty (30) days from the Claim approval date.

Reimbursements

4. In the event the Claim made by the Covered Member is approved and redeemed under these Slashing Terms the Covered Member agrees to:
 - a. assign all rights over any recoveries or Reimbursements to Nexus Mutual DAO and/or the Foundation; and
 - b. forward any recoveries or Reimbursements received by the Covered Member to Nexus Mutual DAO and/or the Foundation upon receipt.

Transferability

5. This Cover ceases to be valid if it is transferred to another person.

6. If this cover is transferred to a different address owned by the same Covered Member, sufficient Cryptographic Evidence must be provided that proves both the purchasing address and the transferred address are owned by the same Covered Member.

Cover Termination

7. Cover ends when:
 - a. the full Cover Amount has been redeemed in Claims; or
 - b. the Cover Period specified at purchase has ended;

whichever is earlier.

Entire Agreement

8. These Slashing Terms and any applicable Schedules constitute the entire agreement between Nexus Mutual and the Covered Member relating to the subject matter hereof and supersede all prior agreements, arrangements and understandings between the parties relating to that subject matter. No other Member or the Nexus Mutual as a whole shall be liable or bound to the Covered Member in any manner by any warranties, representations or covenants relating to the subject matter hereof outside of these Slashing Terms.

Definitions

"Claim Amount" means the amount claimed by the Covered Member for the Penalties in excess of the Deductible, subject to a maximum of the Cover Amount.

"Claim Assessor" means a Member who assesses a Covered Member's Claim under these Slashing Terms.

"Client Software" means an implementation of Ethereum that verifies data against the protocol rules and keeps the network secure including both the consensus client and the execution client software.

"Cover" means the matters which are the subject of the discretionary cover provided by Nexus Mutual as set out in the Member Smart Contract Data and these Slashing Terms.

"Cover Amount" means the maximum claim amount payable under the Cover as chosen by the Covered Member when cover is purchased and stated in the Member Smart Contract Data. The Cover Amount is denominated in ETH and must be equal to the number of Covered Validators multiplied by the Cover Amount per Validator, (*refer to Note 3 for dealing with any inconsistencies*).

"Cover Amount per Validator" means the value in ETH specified in the Schedule.

"Cover NFT" means the NFT token generated by the Nexus Mutual protocol that represents the Cover.

"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.

"Covered Member" means a Member who has Cover and, where the context requires, a former Covered Member.

"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.

"Cryptographic Evidence" means:

- where cryptographic evidence is required due to the Cover NFT being transferred post the event that triggered Penalties, sufficient cryptographic proof that links both the sender and the receiver with which could include a cryptographically signed message from the sender that references the receiver address or other equivalent cryptographically signed evidence.

"Deductible" means the value in ETH specified in the Schedule.

"ETH Proof-of-Stake Chain" means the chain that launched on 1st December 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 mainnet consensus after the Merge.

"Excluded Penalties" 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% (ten percent) of total active validators on the entire ETH Proof-of-Stake Chain.
- Any penalties applied to Covered Validators as a result of a software bug or error in the Client Software.
- Any penalties applied to Covered Validators during the Cover Period as a result of offences incurred prior to the start of the Cover Period.
- Any form of missed rewards including, but not limited to, consensus rewards, execution rewards, transaction rewards and any on-chain or off-chain revenue in connection with the prioritisation or reordering of transactions, generally called Maximal Extractable Value or MEV.

"Foundation" means Terrapin International Foundation.

"Member" means an individual or entity who has paid their membership fee and is entered in the Mutual's register of members and, where the context requires, a former member.

"Member Address" means the designated Ethereum blockchain address that is associated with the Covered Member, where the membership is active.

"Member Smart Contract Data" means data held on the Ethereum Network in relation to a specific Member Address.

"Penalties" means subject to a maximum of the Cover Amount per Validator: all deductions made from the Covered Validators on the ETH Proof-of-Stake Chain, less any Excluded Penalties (see *Note 1*), less any rebates or reimbursements made or promised by the validator operator.

"Reimbursement" means any current, past, or future reimbursement or recovery of an approved and redeemed Claim made, or promised to be made, or made available to Covered Members.

"Schedule" means, where applicable, a schedule attached to the Member Smart Contract Data.

Notes:

Note 1 - Calculating Penalties (the “Note 1”)

The **ETH Proof-of-Stake Chain** only records the net amount of rewards less penalties in any particular epoch. To calculate **penalties** Nexus Mutual will use Rated’s (<https://rated.network>) calculation or any other generally accepted calculation.

Note 2 - Multiple Events impacting Different Validators (the “Note 2”)

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 Cover Amount per Validator (the “Note 3”)

If the chosen **Cover Amount** divided by the number of validators included in the **Covered Validators** is less than the **Cover Amount per Validator**, then validators from the bottom of the Covered Validator list, up until the point where the remaining validators multiplied by the **Cover Amount per Validator** corresponds to the **Cover Amount**, shall be deemed excluded from the **Covered Validators** list.