Protocol Cover

> **Plain English Overview**
>
> ***Claims should be paid when users of the protocol suffer material financial losses due to failures in either the protocol code, economic design, governance set-up or oracles.***
>
> This overview is provided for ease of interpretation only, the terms and conditions of Nexus Mutual's Protocol Cover are set out below. This cover wording should be used as a reference document by Nexus Mutual's Claims Assessors when considering any claim.
>
> ***All Cover is provided on a discretionary basis with Nexus Mutual members having the final say on which claims are paid.***

Cover Wording

Subject to the Exclusions section *(6 - 11)*, the Mutual *may* pay a claim under this Protocol Cover if:

1. During the **cover period**, the **designated protocol** loses user funds as a direct result of one or more of the following components of the **designated protocol** failing:

    1.1. Code being used in an unintended way; or

    1.2. Economic design failure resulting in the unintended confiscation or seizure of funds deposited into the **designated protocol** for either collateral, liquidity provision or staking purposes only; or

    1.3. Severe oracle failure where the oracle price is either:

        1.3.1. deliberately manipulated so that it is materially outside observed market rates; or

        1.3.2. materially different from the intended data source;

        resulting in either the unintended liquidation of collateral or unintended extraction of funds from the **designated protocol**; or

    1.4. a governance attack where;

        1.4.1. the designated protocol is controlled by holders of a governance token that is programmatically linked to an on-chain governance system; and

1.4.2. a small group or individual gains control of the **designated protocol** by manipulating the on-chain governance system; and

1.4.3. the **designated protocol** is altered resulting in the unintended confiscation or seizure of funds deposited into the **designated protocol** for either collateral, liquidity provision or staking purposes only;

and

2. The **designated protocol** loses user funds where funds are either:

   2.1. Moved to another address which the original owner or owners do not control; or

   2.2. Made permanently irrecoverable;

and

3. The Covered Member provides **cryptographic evidence** that links ownership of the **impacted account** to the Covered Member's account that is submitting the claim; and

4. At the time of claim submission the **impacted account** has suffered a **material** loss; and

5. The Covered Member submits a claim;

   5.1. at least 72 hours after the event *("cool down period")*; and

   5.2. during the **cover period** or within 35 days of the **cover period** ending.

Exclusions

Protocol Cover will not pay a claim for any of the following:

6. Any events or losses due to phishing, private key security breaches, malware, exchange hacks or any other activity where the **designated protocol** continues to act as intended.

7. Any events or losses where the **designated protocol** was deployed primarily for the purpose of claiming on this Protocol Cover and not for real usage by customers.

8. Any events or losses occurring during the **cover period** if:

   8.1. the event occurred before the **cover period** began; or

   8.2. a public bug disclosure or warnings related to the event were made for the **designated protocol** before the **cover period** began; or

   8.3. where the **designated protocol** is a fork of a parent protocol, a public bug disclosure or warnings related to the event were made for the parent protocol before the **cover period** began.

9. Any events or losses where the **designated protocol** continues to operate as intended including events or losses as a result of miner behaviour.

10. Any events or losses resulting from movements in the market price of assets used in or relied upon by the protocol.

11. Any events or losses resulting from the **owners or controllers** of the **designated protocol** confiscating or stealing funds from users in line with the permissions of the **designated protocol** irrespective of the individual or entity that has access to the private keys of the **owner or controller** accounts *("rug pull" exclusion)*.

Cover Termination

12. Cover ends when:

    12.1. the full **Cover Amount** has been paid in claims; or

    12.2. the **Cover Period** specified at purchase has ended.

Definitions

Cover Amount means the amount of Cover specified by the Covered Member at purchase of Protocol 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.

Cryptographic Evidence means;
- when the Covered Member's account is impacted directly, the submission of a claim will be taken as that evidence;
- when an account that is not a Covered Member is impacted:
    - a cryptographically signed message from the impacted account that references the Covered Member's account address; or
    - the transaction hash of a zero value transaction from the impacted account to the Covered Member's account; or
    - other equivalent cryptographically signed evidence that links the impacted account to the Covered Member's account.

Impacted Account means:
- an account which directly suffered a loss as a result of the hack; or

- if the cover holder is directly related to the team or individual who built or deployed the smart contract system, an account that either deployed the smart contract system or is otherwise publicly known as having built the system.

Material means:
- Far exceeds gas related costs involved in operating the contract.
- If the mutual has the capability of paying partial claim payments then 10% of the cover amount, otherwise at least 20% of the cover amount.

Designated Protocol means open source code marketed under one brand, running on one or more public blockchain networks including any directly linked layer two components but excluding the underlying blockchain network or networks and the related mining or consensus activities.

Owner or Controller means the blockchain address or addresses which have permission to upgrade, change or alter the designated protocol either in part or in full.

Supplementary Claims Amount Guidance

Once a claim is determined to be valid as per the cover wording above the following guidelines shall be used by Members when deciding on claim amounts:
- When losses actually incurred are less than the **Cover Amount** a partial claim payment should be made if possible, otherwise a full claim payment of the entire **Cover Amount** should be made.