



## Torch Bearers Program Proposal

A detailed compensation plan for InsurAce stakers in light of the UST De-Peg claim payout.

### Objectives

Thank you to our community for being patient over the last few weeks as the team processed the UST de-pegging claims (including responses over the Terra V2 airdrop) and coordinated with various stakeholders (cover holders, stakers, token holders, investors, etc.) for a viable settlement plan. As a team, we are committed to supporting DeFi users while deepening our knowledge of systemic weakness and the importance of forward-looking risk management. As processing for claims are close to being finalized, the team has decided to unveil its own compensation package for InsurAce stakers.

The UST de-pegging event culminated into approximately \$11.7M in claims from the platform (Please read our recent [Advisory Board Report](#)). These funds will be taken proportionately from the \$46.5M (at the time of the De-Peg event) staking pools that backs up InsurAce's coverage, representing a ~25% loss to stakers.

This is a significant moment in InsurAce's timeline as we have reached one of the first tests of antifragility. The team is optimistic in its continued development and is prepared to give stakers, with similar conviction, a healthy incentive package to reduce their losses.

This compensation plan aims to **reduce our stakers' exposure to the UST De-Peg incident to 10%.**

Additional risk management measures will be taken to ensure this level of exposure does not happen again within our protocol.

We are honoured to support DeFi in all of its phases, bringing collaborative solutions as the space evolves alongside the community.

We ask that all community members carefully consider this proposal, raising any concerns and feedback in our [Discord](#) channels.



## Key Proposal Considerations

1. **Loss reduction** to a reasonable level – We understand our stakers are incurring a loss (~25%) larger than expected, thus we will be targeting a 10% loss.
2. Desire to **protect long-term supporters** of the platform – Putting size aside, the most critical factor to long-term success is staking time, hence this package will benefit those who remain staked.
3. Equal treatment – We have allowed for open eligibility for compensation, regardless of staked size.
4. **Future interest alignment** – We wish to have stakers as our long-term partners and hope to align the interests of stakers with the growth of the platform, allowing them to become more vocal in the platform's development.
5. **Compensation additional benefits**– Upcoming V2 tokenomics participation, fundraising discounts and other benefits are intended to give our users the potential to receive compensation in excess of losses.

## Eligibility

Users eligible for this incentive package are those who have experienced a loss from staking on the InsurAce platform as a result of the UST de-pegging incident but continue staking after this (referred to hereafter as **Torch Bearers**).

Stakers who decide to exit (withdraw their total stake) the InsurAce platform will forfeit any future compensation as part of this package.

## Compensation Amount

Target compensation for each Torch Bearer will be such that total losses are reduced to 10% of staked capital for those who remain staked (i.e. The **"Compensation %"**). For some long-term stakers, their earned yields will be able to fully or partially offset these losses given the average APY has been greater than 10%.

As  $\pm 25\%$  of stakers' funds are used for the UST De-peg payout, 15% will be compensated back over the duration of this compensation package. Each staker's losses will be reduced by the Compensation Amount (Compensation % x Staked Amount).

Once the target compensation amount has been reached, payments will cease.

Early termination of compensation may be achieved by either reaching the 10% level of loss via compensation or due to the staker withdrawing their funds from the platform. Early withdrawal of funds will result in a proportionally lower compensation total relative to the total term.

## Additional Compensation

25% of the rewards allocated for these early withdrawing stakers will be distributed to remaining Torch Bearers. As a result, remaining stakers have the potential to receive compensation in excess of their initial targeted compensation, OR to receive their compensation faster than the full term.

## Execution Details

### 1. Compensation Pool

Set up on the Polygon network, the compensation pool will be a shared pool that receives monthly installments.

The pool will be funded via the existing premium pool (\$1M to start), future protocol revenue as well as vested INSUR tokens.

Torch Bearers can withdraw accrued funds from the payout pool at any time.

### 2. Payout Token

Payments will consist of a pool of L1 tokens (ETH, BNB, AVAX, MATIC), stablecoins and INSUR tokens. The exact proportions will be known towards the end of each month and be dependent on revenues generated and token price volatility.

The overarching goal will be to provide stable rewards to users that can be reasonably absorbed by the broader market.

### 3. Compensation Website

There will be a website (under development) opened to all Torch Bearers to view key information such as compensation amount, schedule, valuation, etc. In addition, they will be able to redeem the compensated tokens by connecting their wallet to the Polygon Network on the website.

### 4. Schedule

First pool deposit date: 1 Jul 2022

Payments to this Torch Bearer Pool will commence in the month following payout to claimants. These will continue to be made on a monthly basis until the target compensation amount has been met for stakers, accounted for using market values at each payment date.

Based on current conditions, a reasonable estimated timeframe for payout is 12 months. Assuming all stakers remain and become Torch Bearers.

Withdrawals from the platform will result in a proportionate reduction in compensation with 25% made available to remaining Torch Bearers. This enables Torch Bearers to receive compensation at a faster rate.

Please note that withdrawal and re-staking are classified as a withdrawal.

### **5. Example #1a**

User A staked \$45K in InsurAce. The overall pool size is \$45M affected in the claim payout. Hence, their stake is 0.1% of total compensation pool. User A decides that the proposed compensation plan has sizeable upside potential and keeps their remaining stake in the platform. Assuming payout for the month is \$300K, they will accrue  $0.1\% \times \$300K = \$300$  in compensation for the month.

(If 50% of the stakers have withdrawn already, then compensation would be \$337.5 for the month.)

### **6. Example #1b**

Assuming all stakers remain and payout continues at \$300k per month, User A will accrue \$300 in compensation each month.

User A decides four months into the staking period to withdraw all funds from the platform. Hence, they will have received \$1,200 and forfeit \$2,400 in compensation going forward, \$600 (25% of the compensation) of which will be allocated amongst remaining Torch Bearers.

### **7. Example #2**

User B staked \$1M in InsurAce and suffered a loss of 25% in during the UST De-Peg claim. This proposal seeks to compensate 15% (\$150K) of staked amount, hence reducing the loss ratio to 10%. If he retains 60% of his stake in the underwriting pool, the compensation amount will be reduced proportionately (60% of the total loss), which is \$90K. Of the residual compensation that was left in the platform of \$60K (= \$150K - \$90K), 25% will be shared by other Torch Bearers in the following month.

## **V2 Tokenomic Early Access**

As part of InsurAce V2, a new set of tokenomics featuring both governance and profit-sharing elements will be rolled out. Torch Bearers' wallets will be automatically eligible for early benefit and participation.

Exact details of V2 tokenomics will be provided in the following two weeks.

## **Future Fundraising Discounts and Other Benefits**

In addition to compensating stakers' losses, our team aims to share the benefits of our future growth.

If InsurAce conducts new rounds of fundraising in the future, regardless of private sale or public sale, there will be a sizeable allocation for Torch Bearers with a 20% of discount on the raising valuation if they wish to participate. Apart from these fundraising discounts, any benefits that come along in the development of InsurAce going forward such as membership program, NFTs, offline events, insurance discounts, etc. will all be in favour of the Torch Bearers.

## **Risk Management**

As a way of enhancing stakers' risk awareness going forward, InsurAce stakers will be divided into three different risk/reward pools going forward.

Torch Bearers will be migrated to the lowest risk pools by default, which will have the most conservative expected loss (1% - 2%) and expected rewards (5% - 6%). Meanwhile, they can opt in to other high / medium risk pools (with higher APYs) after the migration.

Stakers in the platform can also expect to see updated risk management dashboards as part of InsurAce's data pages. These will help identify concentration risks, allow community members to raise their concerns and give InsurAce the opportunity to take further risk-reduction actions.

## Special Notes

1. Users who staked their assets after May 14<sup>th</sup> will be unaffected by the recent UST de-peg and thus ineligible for this package.
2. Value of compensation reflects market conditions at the time of each payment date and do not take into account market volatility following payment.
3. This proposal has not been approved yet and awaits further community discussion and input.
4. InsurAce V2 token model changes will continue to be rolled out and disproportionately favour long-term stakers in the platform

## Contact

We now have dedicated discord servers for both Claims and Stakers.

Join the conversation here: <https://discord.gg/vCZMjuH69F>

For any other questions, you can reach Dan, our CMO, under the handle @vagrantcrypto on any social media platform. But we advise questions around this staying on Discord for ease and transparency.

Alternatively, you can send emails to [claims@insurace.io](mailto:claims@insurace.io) for further communications regarding the UST de-peg.