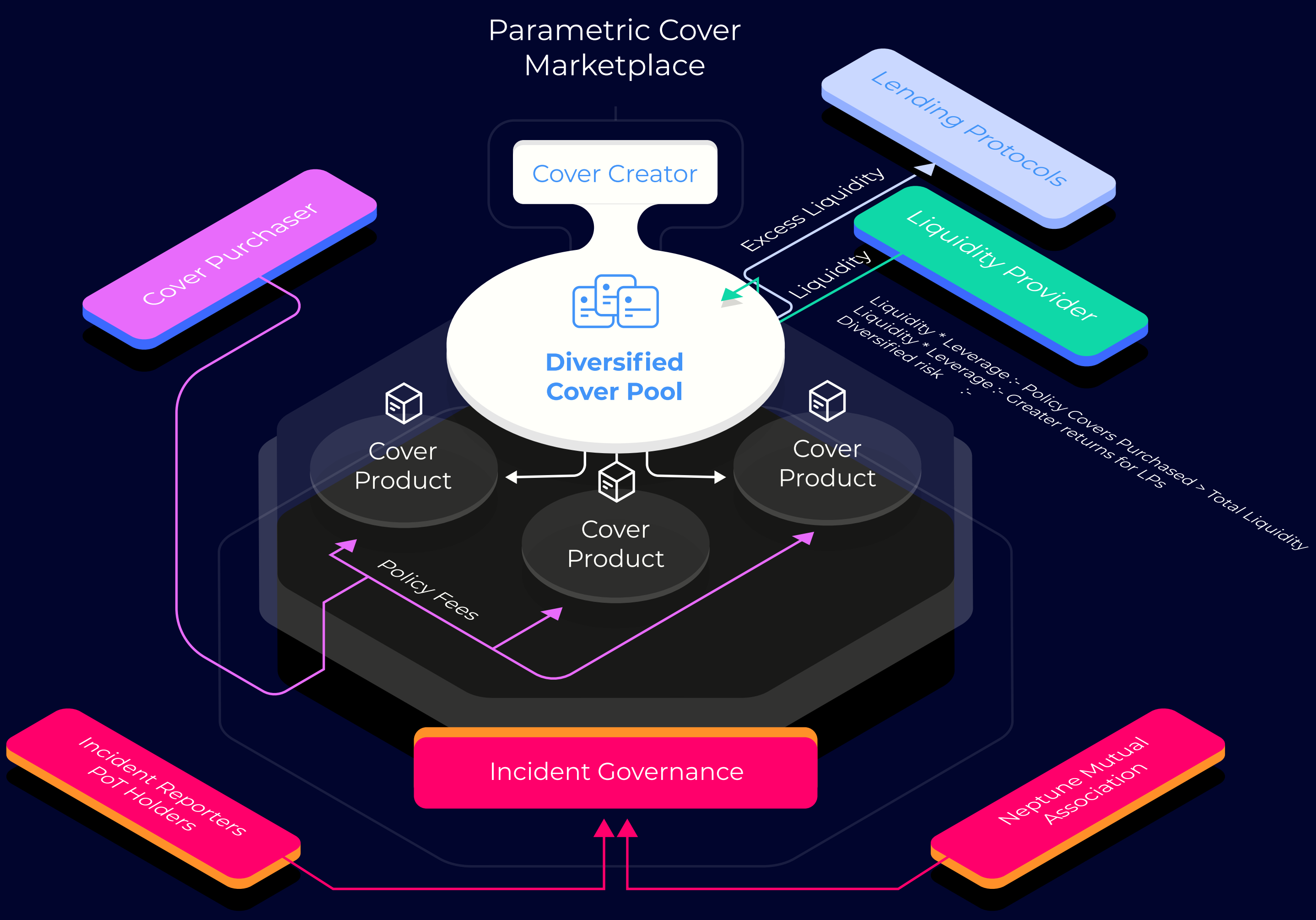
Diversified Cover Pool



What is a Diversified Cover Pool?

Diversified cover pools provide liquidity to a portfolio of cover products, each with their own specific cover policy trigger parameters.

Cover policies can only be bought from each of the individual cover products available within the portfolio of the diversified cover pool. Each cover product relates to one specific blockchain project. If a trigger incident occurs, the cover product receives a payout from the diversified cover pool (up to the maximum amount that the specific product was allocated i.e. a portion of the total diversified pool liquidity), and the cover product policyholders then receive a full payout.

In this way, a diversified cover pool allows partial liquidity payouts because each cover product is limited to a certain proportion of the overall diversified pool liquidity.

How does it work?

- A diversified cover pool is created by a diversified cover pool creator.
- It is created by selecting a certain number of projects to form part of a portfolio.
- Each project in the portfolio is considered as an independent cover product with its own specific policy available for cover purchasers.
- While dedicated cover pools are likely to be created by project founders looking to engage and protect their respective communities, we anticipate that diversified cover pools will be created by specialist actors in the DeFi market, or potentially by asset managers/investors with token or equity stakes in a portfolio of projects in a particular market segment or with a similar risk/return profile.
- All of the projects in the portfolio are available to policyholders and have the same reporting and resolution processes as that of a dedicated cover pool in the event of an incident.
- A diversified cover pool allocates liquidity to multiple projects, so if an incident is validated in one project, the payout will be limited to the amount allocated by the pool to that project, representing only a small portion of total liquidity.

What makes diversified cover pools unique?

Diversified cover pools spread the risk of cover pool liquidity across a portfolio of projects. Diversified cover pool creators have the option to leverage liquidity which, in effect, allows sales of a greater number of cover product policies within a portfolio than the total amount of liquidity in the diversified cover pool. This mirrors the traditional way of improving capital efficiency by diversifying risk. This will enable liquidity to be sourced for a portfolio of low risk projects by offering good returns (as a result of the leverage) in a way that would be more challenging if each project was to create a separate and independent pool without leverage.

A diversified cover pool creator will set the leverage factor at the outset, and it will be identified on the card of the diversified cover pool, as well as in the information presented to liquidity providers.

In the unlikely event that multiple or all cover products in a portfolio are exposed to hacks at the same time, diversified cover pools cannot provide an absolute guarantee of policyholder payout in the same way that dedicated cover pools can.

Why Choose Neptune Mutual's Diversified Parametric Cover?

What makes Neptune Mutual's parametric cover solution so compelling is that policyholders do not have to make individual claims for proof of loss, and following incident resolution, all policyholders are eligible to receive the payout due under their policy.

Diversified cover pools open up parametric cover to a much wider spectrum of blockchain projects and offer more choice to liquidity providers in terms of the sector of activity, the type of risks underwritten, and the approach to efficient use of underwriting capital, based on either 100% minimum capital requirement for dedicated cover pools or the potential for leveraging underwriting capital for diversified cover pools.

Diversified cover pools should provide an interesting entry point for digital asset managers into the underwriting liquidity space, and this is undoubtedly needed in order to scale adoption of digital asset protection across the industry.

Cover, protect, and secure your on-chain digital assets.

Official Website: https://neptunemutual.com

Blog: https://blog.neptunemutual.com/

Twitter: https://twitter.com/neptunemutual

Reddit: https://www.reddit.com/r/NeptuneMutual

Youtube: https://www.youtube.com/c/NeptuneMutual

LinkedIn: https://www.linkedin.com/company/neptune-mutual

Telegram: https://t.me/neptunemutual

Discord: https://discord.gg/2qMGTtJtnW