

Announcing Captive Insurance Product for the ArbitrumDAO

The Arbitrum Foundation has obtained insurance coverage for \$ARB tokenholders for claims (including defense costs) made in respect of their engagement in DAO governance activities, including participation in any collective decision making that:

- Directs the activities of the DAO, the Foundation, or the Security Council;
- Effects the operation of Governed Chains; and/or
- Otherwise relates to the exercise of the rights or powers accorded to holders of \$ARB Tokens.

As the legal entity that represents the Arbitrum DAO, The Arbitrum Foundation serves three important functions that enabled it to secure this coverage for \$ARB holders:

- The Foundation enters into contracts with other entities (including the contracts required to obtain insurance);
- The Foundation for various legal and regulatory purposes is the “legal wrapper” of the ArbitrumDAO, including the DAO Treasury funds and
- The Foundation provides a measure of liability protection for individual DAO members by being the formal legal entity that acts when a decision is made by the DAO, and now provides further protection by obtaining this insurance policy for claims arising from participation in the DAO decision making process.

This coverage was obtained through a new insurance solution (the REBA Solution) focused on providing coverage for DAOs and other crypto native organizations that have, to this point, been unable to access coverage in the traditional insurance market. This solution utilizes a corporate structure and the insurance provides for worldwide coverage to DAO tokenholders who engage in the governance activities described above, as well as Foundation directors and Security Council.

This coverage addresses risks associated with the uncertain and litigious regulatory environment in which the DAO operates. Some DAOs have established legal defense funds to hedge these risks, but these accounts are a temporary solution and, ultimately, a poor substitute for insurance. Defense funds have extremely limited protections from creditors, regulatory action, asset freeze, forfeiture orders, or bankruptcy. Further, legal defense funds are often held in an asset native to a DAO’s ecosystem with a value that is highly correlated to the risks it seeks to hedge against, whereas we have chosen to capitalize the fund in USD to ensure stability.

The Arbitrum Foundation is the first DAO Foundation to announce availability of insurance coverage for tokenholders. At present, the REBA Solution utilized by the Foundation to provide this coverage is only available to DAOs that have access to a legal entity. This insurance coverage reflects the Foundation’s commitment to DAO tokenholders by providing the same type of protections that are available to directors and officers of traditional organizations, thereby de-risking participation in DAO governance.

Currently, the policy provides up to \$10M in coverage, subject to a retention. If a DAO tokenholder wishes to make a claim under the policy, notice of the claim should be provided to the following address claims@arbitrum.foundation. More information about the policy will be provided in subsequent posts.