

Simple Summary

The Lido Insurance Fund is planned to be used by the Lido DAO as a transparent store of funds allocated for potential self-cover purposes.

Motivation

Initially, Lido hedged against slashing penalties via a third-party insurance provider. In a [July 2021 vote](#), the DAO decided to explore an independent approach by marking the funds accrued in the form of protocol fees as potentially usable for self-cover purposes. The enactment of [vote #134](#) redirected the flow of protocol fees into the Treasury and fixed the amount allocated for cover. However, there is still no apparent distinction between Insurance and Treasury funds as both are stored under the same contract.

This proposal introduces a dedicated vault contract that will serve as a transparent store for cover funds which can only be retrieved by the [DAO Agent](#). Additionally, the vault features functions for recovering non-cover assets that were sent to the contract by mistake.

NOTE: The proposal does not make any assumptions in regards to any policies, restrictions and regulations that may be applied and only covers technical implementation.

Mechanics

The Insurance Fund is a simple vault that inherits [OpenZeppelin's Ownable

](<https://github.com/OpenZeppelin/openzeppelin-contracts/blob/v4.7.3/contracts/access/Ownable.sol>) and allows the owner to transfer ether, ERC20, ERC721, ERC1155 tokens from the contract. The owner, which will be the Lido DAO Agent, can transfer ownership to another entity with an exception of [zero address](#).

Specification and security considerations

Please proceed to the [full LIP-18 text](#) published on GitHub for further details.

Links

- [Lido DAO Agent](#)
- [LIP 6: In-protocol coverage application mechanism proposal

](<https://github.com/lidofinance/lido-improvement-proposals/blob/develop/LIPS/lip-6.md>)

- [Redirecting incoming revenue stream from insurance fund to DAO treasury](#)

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