GLOSSARY OF TERMS AND CONCEPTS FOR REGULATORS OF INSURTECH

What follows is a limited glossary of essential terms and phrases that will aid in your consideration of InsurTech companies and their potential application and the regulatory issues raised by them.

Accelerator – The time and cost to start and build a company was historically protracted and expensive. Technology has impacted that construct by substantially shortening the time and reducing the amount of money it takes to validate an idea and build a prototype. Both Incubators (defined and discussed below) and Accelerators aspire to improve the odds of a start-ups success … both provide (i) speed to validation – or not, (ii) hands-on assistance, mentorship, guidance, and (iii) reputational transfer for graduates of these programs (investors and perhaps the market will take the start-up more seriously). There are however, profound differences. Entrepreneurs apply to an accelerator and if accepted:

- Accelerator become an early-stage investor: sometimes it's the first money ($40-50k)
- In exchange for a % of the start-up (5%-8%)
- Limited amount of time (3-4 months)
- Interests are (presumably aligned) and interaction is very concentrated. Goal is to accelerate the trajectory and path of the business.

Algorithm - A list of steps to finish a task. A set of instructions that can be performed with or without a computer. For example, the collection of steps to make a peanut butter and jelly sandwich is an algorithm.

Beta Testing - Beta testing of a new-to-the-world product includes a limited group of users outside of the company. The twin aims of the Beta test are to do a sanity test and to get customer feedback on how the product is used and works in the real world.

Binary - A way of representing information using only two options.

Blockchain - A type of underlined distributed ledger, comprised of unchangeable, digitally recorded data in packages called blocks (rather like collating them on to a single sheet of paper). Each block is then 'chained' to the next block, using a cryptographic signature. This allows block chains to be used like a ledger, which can be shared and accessed by anyone with the appropriate permissions.

Brainstorming - Coming up with as many ideas or solutions possible for the situation, singly or in a group.

Bug - An error in a program that prevents the program from running as expected.

Business Model - Business model converts innovation to economic value for the business and conceptualizes the value proposition that distinguishes a firm from its competitors. It draws on a multitude of business subjects including entrepreneurship, strategy, economics, finance, operations, and marketing, and spells-out how a company generates revenue.

BYOD - bring your own device usually refers to tablets and laptops but can increasingly refer to mobiles phones and other connected mobile devices

Code - One or more commands or algorithm(s) designed to be carried out by a computer.

Collaboration - People or organizations working together to realize and achieve shared goals, by sharing knowledge, learning and building consensus. Most collaboration requires leadership, although the form of leadership can be social within a decentralized and egalitarian group. In particular, teams that work collaboratively can obtain greater resources, recognition and reward when facing competition.

Commercialization - The process of taking a product or process form early stage development to commercial deployment.

Concept - An abstract or generic idea generalized from particular instances.

Confirmation - A confirmation means that the blockchain transaction has been verified by the network. This happens through a process known as mining, in a proof-of-work system (e.g. Bitcoin). Once a transaction is *confirmed*, it cannot be reversed or double spent. The more confirmations a transaction has, the harder it becomes to perform a double spend attack.

Crowdsourcing - Getting help from a large group of people to finish something faster.

Cryptocurrency - A form of digital currency based on mathematics, where encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds. Furthermore, cryptocurrencies operate independently of a central bank.

Data - Information. Often, quantities, characters, or symbols that are the inputs and outputs of computer programs.

Demonstration (Demo) - An activity that demonstrates the viability of a product or process

Deployment - The use of a product or process for practical and/or commercial purposes.

Derivative Innovation - A secondary product or service derived from a platform innovation. These innovations are slight modifications of the main product.

Digital citizen - Someone who acts safely, responsibly, and respectfully online.

Digital Commodity - A digital commodity is a scarce, electronically transferrable, intangible, with a market value.

Digital footprint – The information about someone on the Internet.

Digital Identity - A digital identity is an online or networked identity adopted or claimed in cyberspace by an individual, organization, or electronic device.

Distributed Ledger - Distributed ledgers are a type of database that are spread across multiple sites, countries or institutions. Records are stored one after the other in a continuous ledger. Distributed ledger data can be either "permissioned" or "unpermissioned" to control who can view it.

Entrepreneur – a person who takes and idea and builds and organization and a business around the idea. The idea may or may not be an innovation.

Entrepreneurship – the process by which an entrepreneur turns and idea into a business.

Function - A piece of code that you can easily call over and over again. Functions are sometimes called 'procedures.' A function definition is a segment of code that includes the steps performed in the function. A function call is the code segment, typically within the main logic of the program, which invokes the function.

Gamification: Using game design principles and mechanics to drive motivation and increase engagement in learning.

Head of innovation - someone charged with "doing" or "finding" innovation (see definition of innovation). Necessarily there is no defined job description; very fluid mission and objectives (new products (R&D), some are about skunkworks "under-the-cover" projects, people and culture.

Idea - A formulated thought or opinion

Incubator – Incubator management charge a fee (ranging from 100s to 1,000s of dollars per month) to provide business support that accelerates the successful development of startups and improves the odds of success by providing entrepreneurs with:

- targeted resources and services - office space, professional services and business advice
- Access to a network of contacts

Typically, there is no time limit on how long you can participate in the incubator and the incubator is usually agnostic on business segment: technology, retail, restaurants, etc.

Innovator - a person who drives innovation.

Innovation - the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relation. The minimum requirement for an innovation is that the product, process, marketing method or organizational method must be new (or significantly improved) to the firm. An innovation has taken place if it has been introduced on the market (product innovation) or used within a production process (process innovation). Depending on context, products and processes can be new or improved anywhere in the world, or new or improved in relation to a firm, a market or a country.

Intellectual Property - Intellectual property (IP) refers to intangible assets resulting from the creations of the mind: inventions, literary and artistic works, symbols, names, images, and designs used in commerce. Intellectual property can be protected by formal or informal methods. Formal protection consists in granting to the owners exclusive Intellectual Property Rights (IPR) under intellectual property law. Informal protection consists in methods like secrecy, confidentiality, defensive publishing, fast innovation cycle etc.

Insurtech - refers to the use of technology innovations designed to squeeze out savings and efficiency from the current insurance industry model. Insurtech is usually considered a subset of term Fintech. The notion is that insurtech companies (and the technologies and innovations they represent), are driving transformation, based on the belief that the insurance industry is ripe for innovation and disruption. Insurtech could be viewed as exploring avenues such as policy customization, data driven on-demand underwriting, based on digitally observed behavior.

Intellectual Property - Any idea or work that can be considered proprietary in nature and is thus protected from infringement by others.

Invention - A new scientific or technical idea, and the means of its embodiment or accomplishment. To be patentable, an invention must be novel, have utility, and be non-obvious.

Iteration - A repetitive action or command typically created with programming loops.

Loop - The action of doing something over and over again.

Mockup (or prototype) - a scale or full-size model of a design, device, technology, or developed products or services, providing at least some of its functionality for the purposes of demonstration (a "demo"), design evaluation, promotion, and other purposes.
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Program - An algorithm that has been coded into something that can be run by a machine.

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Peer-to-peer (*P2P*) - refers to the decentralized interactions that happen between at least two parties in a highly interconnected network. P2P participants deal directly with each other through a single mediation point.

Platform - A platform is a group of technologies that are used as a base upon which other applications, processes or technologies are developed. In personal computing, a platform is the basic hardware (computer) and software (operating system) on which software applications can be run.

Prototype - An original model constructed to include all the technical characteristics and performances of a new product or process.

Radical innovation - A new product or process that strongly deviates from prevailing norms and so often entails a disruptive change over existing commercial technologies and associated institutions

Sandbox – A metaphor to describe an innovation environment where a big problem can be tackled in an experiential way, without consequences, producing an iterative process of creativity toward unique and "out of the box" solutions or paths.

> (1) a capable group is convened around a "high bar;" a lofty goal or aspiration,
> (2) a small set of aggressive restraints are allowed (limitations and restrictions are generally removed, enabling discussions and discovery around the "art of the possible"), and
> (3) a radical re-examination of assumptions and self-imposed limits, that allows for blue sky, green field experimentation or ideation.

Start-up - A new business, at the earliest stages of development and financing.

Technology readiness (Maturity) - A measure to assess the maturity level (market readiness) of a particular technology.

Value of the Customer (often referred to as Customer Value) - How much value the relationship with a customer delivers to the firm.