

mgm insights

Efficient Digitalization of Industrial Insurance

Digitalize Portfolios and Processes quickly and efficiently with Low Code:
Sales, Underwriting, Portfolio Management, Claims Processing

Imprint

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1. Introduction

Many industrial insurers are currently facing major challenges: "There is no easing of the market situation in sight. Even if the earnings situation of insurers has improved in the past year, the pressure to implement portfolio improvement measures will continue."¹ In addition, many insurers are struggling to cover their costs with premium income: "Even though the GDV projection² forecasts a combined ratio of 98% for 2019, which represents an improvement in results, not all insurers are profitable."³

There are several reasons for the strained earnings situation, three of which are essential:

- Complex, paper-based processes from the "old days" that slow down communication and data exchange between customers, brokers and insurers - especially in the area of risk assessment and evaluation.
- IT systems that are difficult to adapt and a lack of technical standards. According to Alexander Mahnke, head of the General Association of the Insurance Industry (GVNW), it is "incomprehensible and unacceptable" that "industry insurers have still not established uniform standards for technical communication."⁴
- Lack of ideas from those responsible on how products and processes can be translated into the 21st century Although digitalization could optimize processes and reduce costs, many industrial insurers are hesitant: "Nevertheless, more than 40% of insurers did not implement any digitalization initiatives in 2019, or did so insufficiently from their point of view, thus wasting a lot of potential with regard to new business models, sales channels or working methods."⁵



1. Introduction

Digitalization is therefore urgently needed in the industry. The levers for future business success are efficiency in internal administrative processes and improved risk selection. In the 21st century, these should be introduced and implemented on the basis of a digital end-to-end value chain. Companies therefore need a platform with which they can quickly create digital applications and insurance products.

Low Code Development offers a suitable solution for this. With such a development platform, even non-developers (so-called citizen developers) in the specialist departments are able to put together products, processes and user interfaces. As no new program code is written, the error rate during digitalization is also reduced - quality and speed are improved.

In an end-to-end digitized world, underwriters can concentrate on the really complex processes and challenges and brokers can invest more time in the advice that is important for an individual offer. This benefits insurers, brokers and customers alike.



Detailed information on low code and the possible applications

Crisp Research study in cooperation with mgm:
Low Code Development - Recommendations for planning and deployment.

At: <https://a12.mgm-tp.com/#insights>

- 1 Willis Towers Watson: Industrial insurance.
- 2 General Association of the German Insurance Industry
- 3 Willis Towers Watson: Industrial insurance
- 4 Kaspar, Alexander: Industrial insurance facing multipolar challenges.
- 5 EY Innovalue: More than 40% of insurers miss opportunities through digitalization initiatives.



2. Low Code Development as a Solution for Industrial Insurers and Brokers

In many companies and across many industries, decision-makers in business and IT are discussing the use of low code to speed up the development time of applications. This is because the concept - in addition to other detailed changes - involves moving away from traditional, usually time-consuming software development processes and the strict separation between the specialist department and development.

But what exactly is low code? Put simply, low code applications are a development platform that uses visually supported development tools and graphical modeling methods instead of written code. This means that users (citizen developers) can use a graphical user interface to assemble prefabricated modules and elements as they need them. This applies not only to the initial digitalization of a company, but also to changes and updates to risk issues, dependencies and coverage models as well as completely new product ideas. Instead of taking the long route via the development department, a trained employee can model these cases and implement them in full or in large part themselves. In addition, applications and modules that have already been programmed and are used repeatedly do not have to be redeveloped each time.

Example use case:

An industrial insurer wants to launch a new insurance product on the market. The starting point is usually a risk questionnaire and a data model derived from it. Thanks to low code and an existing set of data models, a production-ready first version of the digitalized product can be developed quickly. With this fail-fast method, insurers can immediately see whether the idea is viable and whether a particular product is worthwhile for them. If the idea is less promising, the costs are kept within limits - the ideal solution for making underwriting processes more efficient. In addition, a new product is directly part of the internal processes if it is developed on an integrated low code platform.

The consulting firm Gartner, among others, has analyzed how successful low code can be in the future: "By 2024, three-quarters of large enterprises will be using at least four low code development tools for both IT application development and citizen development initiatives. By 2024, low code application development will be responsible for more than 65% of application development activity."⁶

⁶ Gartner: Magic Quadrant for Enterprise Low Code Application Platforms.

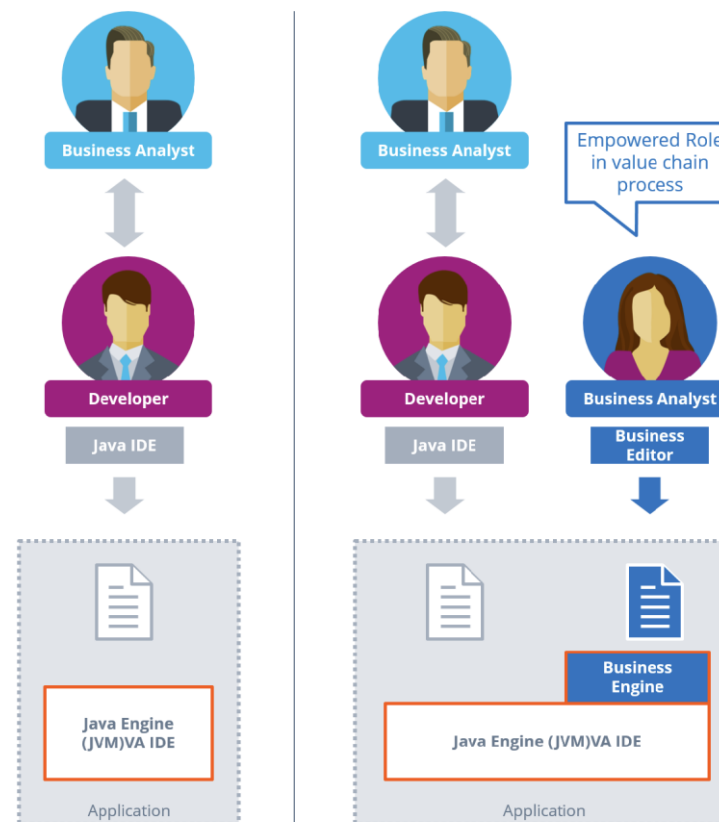


The advantages of low code:

- Faster to the finished application
- Less programming effort
- More flexibility for applications and insurance products
- Cost savings in programming and work processes
- Low code users can be trained quickly
- No technical difference between "prototype" and production-ready software
- Applications can be changed flexibly at any time

Not all low code is the same

Although many low code platforms can map simple processes, they fail when it comes to complex applications and their integration into heterogeneous IT landscapes. For this reason, individual development is often necessary, for example to program interfaces and connect systems with each other. This means in the enterprise in particular: Low code and classic code must grow together in order to implement complex applications securely and quickly.



The classic distribution of roles is shown on the left and the model-based approach on the right. Alongside the developer, the business analyst helps to design parts of the application independently.



3. Digitize Industrial Insurance more efficiently - with Low Code

What if underwriters and brokers no longer exchanged data manually by email and telephone, but instead communicated digitally end-to-end - with the help of self-designed digital products and processes? The role of underwriters and brokers would change fundamentally - they would directly implement the market requirements of their partners and customers digitally and play an active role in shaping digitalization.

Even if these promises still sound like dreams of the future, many of them can already be implemented today. We just need to take the first step.

From terms and conditions to the technical product framework

Industrial insurance products consist of various components such as coverage model, risk issues, tariff and premium model as well as various documents (offer, policy, terms and conditions, etc.). In general, the task is to identify and analyze the core components of each product and to bring them together in a technical product framework.

In detail, a digital product includes a corresponding data model, but also the sensible arrangement of fields in online forms. It is also important to consider the needs of brokers, insurers and customers.

Digitalization therefore primarily means structuring the components: Traditionally very individual products and processes must be translated into structures and regulations - including a clearly defined individual degree of freedom, which is absolutely essential, especially in the industrial insurance sector.

These standards are crucial in order to be able to execute processes automatically. There must be certain rules according to which the system makes content-related and process-related decisions. Example: If the equity ratio in a D&O insurance policy is too low, many insurers automatically attach an insolvency exclusion above a certain limit. It is precisely such clearly defined limits, above which a clause is automatically added, that can be mapped very well in the IT systems.



3. Digitize Industrial Insurance more efficiently - with Low Code

Important despite standardization: individual freedom

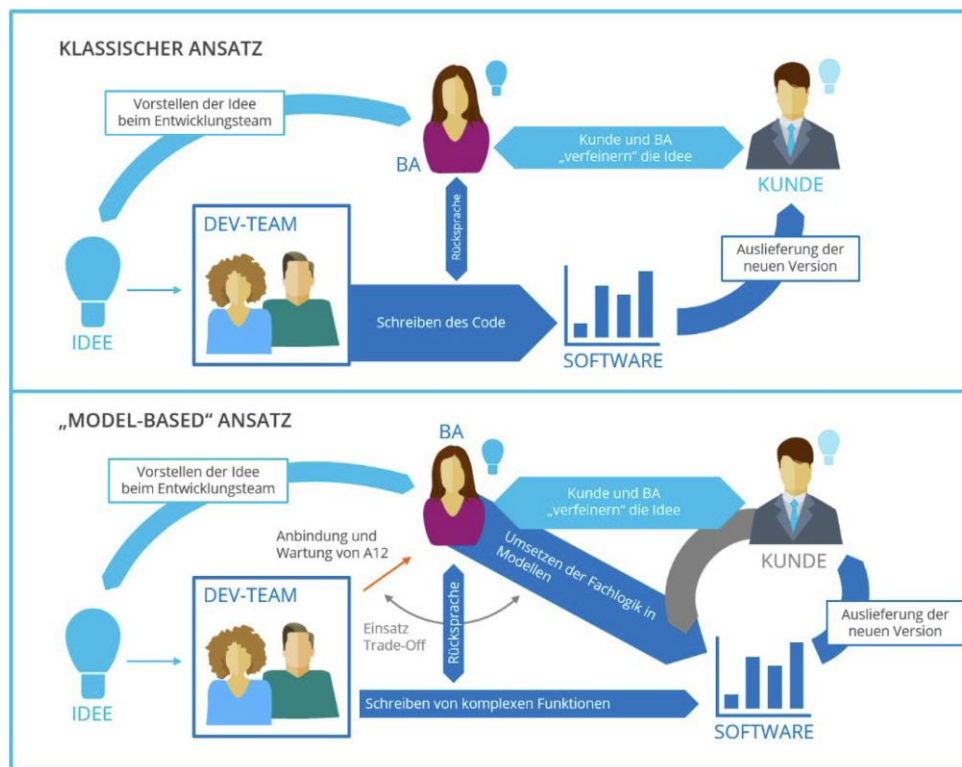
For standardization, however, the implementers in project teams must ask themselves the right individual questions in addition to standard questions. Insurance experts at insurers and brokers have a wealth of experience honed over years and decades and extensive knowledge of all conceivable insurance cases. This knowledge must now also be transferred into structures that can be mapped in software. A good starting point, for example, is to look at parallels between cases and query boundaries.

For the industrial and commercial insurance sector, the process requires a multi-layered rethink. Previously, underwriters looked at each case individually and assessed risks manually based on experience and gut feeling. Therefore, the technical experts should be significantly involved in the entire digitalization process. On the insurer side, it should also be clear where sales partners are deliberately given leeway for customer-specific risk situations.

Another important requirement is to be able to create the products in a reasonable amount of time. Six months or more is not an option. A new product should take a maximum of two to three months and a variant of the product, for example for a sales partner, no longer than a few days or weeks. This is possible with a consistently implemented platform model: from simple products and local cover to multinational solutions. In addition, there is higher product quality, real-time services and the opportunity to enter new business models quickly.



3. Digitize Industrial Insurance more efficiently - with Low Code



A low code platform can be used to transfer large parts of these process steps and the necessary components into digital product models - which can be designed initially and on an ongoing basis by the department itself.

The difference is not great in formal terms - but it is decisive in the process: with the model-based approach, the dev team no longer writes 100 percent of the code, but the work of the business analysts and specialist departments becomes more important. They play a decisive role in shaping the software through models and low code.



3. Digitize Industrial Insurance more efficiently - with Low Code

Establishing digital processes with low code

Once the required components have been pre-structured and clearly defined, implementation can begin immediately with a low code platform: with the help of graphical tools, the experts can visualize the data structures of the mapped entities such as contracts or products as workflows. The tool's user interface is structured in such a way that the user selects the required modules on the screen and links them together. Additional design tools are then available for layout design and responsive design. With the help of various tools, the specialist department can model data models, rules, interfaces and document templates - often with the support of business analysts at the beginning.

The special feature here is that the specialist works in a productive underwriting application from the outset, which makes the results immediately visible. This application must be dynamic and easy to adapt: If changes are requested by line managers, partners or colleagues, these can be implemented directly in the application.

Low Code + X

Due to the heterogeneous IT landscapes of industrial insurers, it is not easy to integrate new processes and technologies. Connecting to policy management systems, broker management platforms or other applications rarely works without individual implementation effort. The low code platform should support the seamless integration of individual software development (for example in Java) so that specialist departments and developers can work together in a professionally managed software development process.

Planning and resource allocation should optimally support the development of the target system(s):

- With standard products, the focus is on automating sales. Underwriters and brokers appreciate the fact that they are relieved of repetitive standard tasks and have more time for complex cases and/or good customers.
- Other projects involve the digitalization of complex products. There is also potential for automation here, but the focus is usually on the ancillary elements. For example, the system supports document generation and premium booking (including modular accounting).

3. Digitize Industrial Insurance more efficiently - with Low Code

In the future, however, automated processes will also be increasingly used for complex risks. For example, complex risk assessments can already be automated today through scoring. Big data solutions provide the basis for this. The limits of what is feasible are therefore increasingly shifting towards more complex risks.

All in all, insurers, brokers and other players in the industry need to develop the new capability of "digital product development".



4. Get started

In order to digitize products with low code, it is usually advisable to start by modelling the new business process. The existing processes based on this can then be supplemented accordingly. It should also be ensured that users are already familiar with the low code platform and have not just recently started working with it.

New digital products or processes always cause skepticism within the company and among employees at first. For this reason, the entry into the digitalization of insurance products and processes should not be sudden and unprepared.

Ten basics:

1 Communicate and inform

Talk to your technical experts and colleagues who will later be responsible for the low code project. Explain and show the benefits. This is a change process that must involve and support all employees and partners.

2. Strategic decision

Of course, the goal must be clear: should products be simplified and distributed automatically to a large target group (dark processing)? Or is it about reducing operating costs in the high-value industry segment and optimizing complex communication processes such as renewal or claims processing?

3. Determine requirements

First of all, fundamental questions need to be clarified: For which products in the portfolio is digitalization even worthwhile? Are there appropriate sales channels? And what new product ideas may already exist? Insurance products should only be selected after a detailed inventory and evaluation.



4. Environment and accessories

A digital insurance product and digital portfolio management also require human-readable representations. So: Which terms and conditions, additional clauses, policies, applications, offers or premium invoices are required? In which layout are these handed out to the customer, partner or broker?

5. Start small

Start with a small application and gather important insights during the development process. Only when all processes function optimally and are coordinated can you move on to larger projects.

6. Define a framework

Provide your technical experts with a framework. This should include tools, guidelines and training for low coding.

7. The courage to leave a gap

Analysis and calculation for each individual product: Which insurance risks can be taken in order to enable a simple low code solution? Which provisions of the analogue terms and conditions can be omitted in favour of structuring and standardization? A 1:1 copy from analog to digital is rarely possible.

8. Teaching

As low code technology is still relatively new, only a few people are very familiar with it. So make sure you have coaches right from the start who can teach your employees everything they need to know.

9. Use agile methods

Agile methods such as Scrum or Kanban are used in IT development these days. For most new low code users, this is still uncharted territory. It is therefore important to introduce them to these working methods.

10. Start early

Parallel to the ongoing digitalization, digital "translations" should already be considered when defining new terms and conditions. This will make future work more efficient.



5. Example: Low Code Development with mgm A12 and Cosmo

The digitalization of insurance products poses special challenges. The low code platform mgm A12 and the insurance platform mgm Cosmo, which is based on it, are a good example of what such a low code solution can look like for industrial insurers.

What is mgm A12?

mgm A12 is an enterprise low code platform for the development, integration, maintenance and operation of business applications in complex IT landscapes such as the insurance industry. The underlying A12 Business Application Platform (BAP) consists of a series of client- and server-side components in a modern enterprise architecture, modeling tools and the Plasma design system.

The special thing about mgm A12 is that it combines the low code approach with professional individual software development and system integration. Business-critical applications in particular pose a major challenge: they have to be integrated into a heterogeneous IT landscape.

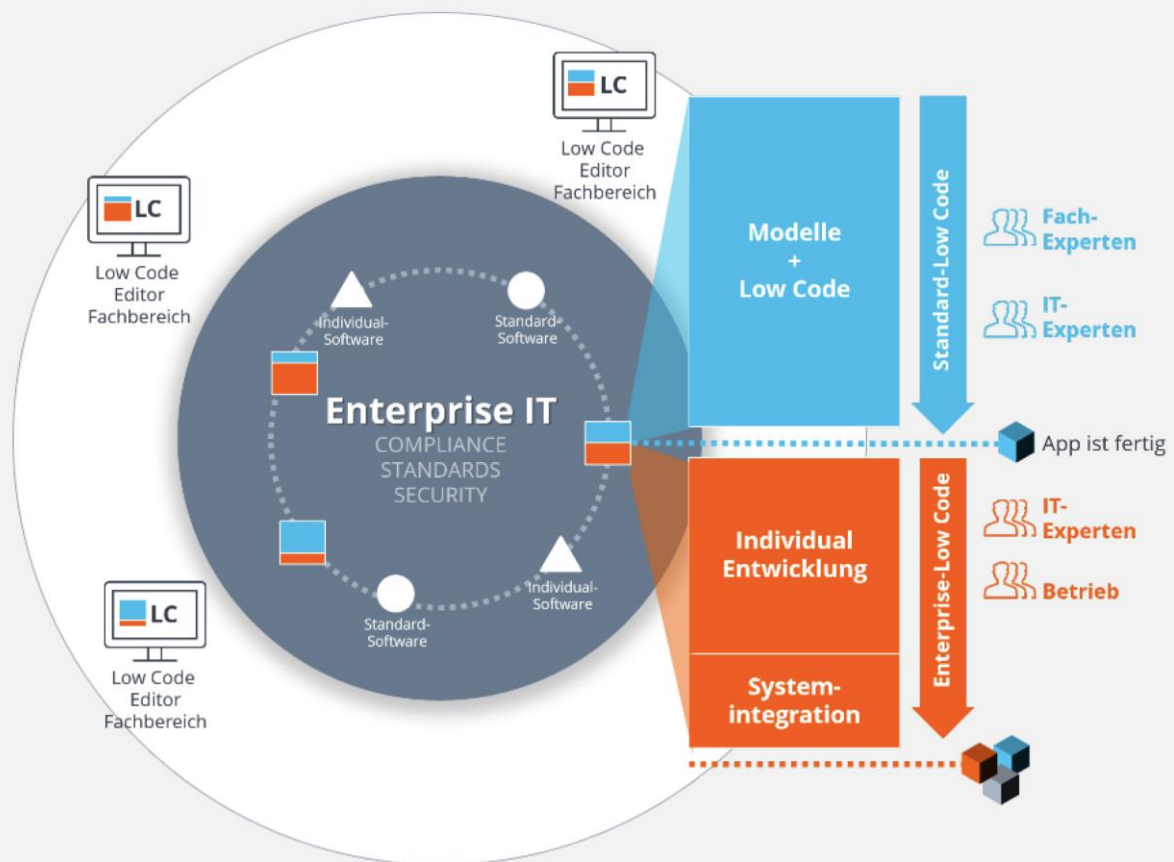
Although most low code platforms offer ready-made solutions for simple integration scenarios, they reach their limits when it comes to individual developments and professionally managed system integration.

The focus of mgm A12 is not on easily clickable apps for short-term use. mgm A12 develops industrial insurance applications into fully integrated, business-critical enterprise applications. In addition to a flexible application platform with a wide range of modeling tools, mgm A12 relies on a mature methodology and a cross-project co-innovation approach.

Co-innovation refers to a cooperation model in which several partners work together on new solutions. For this reason, the mgm-internal A12 community was founded, which consists of a core team and many other project teams. Together, they work on new innovative solutions based on A12.



5. Example: Low Code Development with mgm A12 and Cosmo



Enterprise Low Code Development

When the business department designs applications itself using the appropriate low code tools and IT can simultaneously secure technology and standards centrally, this creates truly valuable business applications. Depending on the project, the low code component can be weighted individually. The aim is for business and IT experts to work together effectively.

Reduction of high development costs

The goal of mgm A12 in all industries: to build robust, secure and long-lasting enterprise software quickly and economically. Behind this is the aspiration of experienced software engineers to reduce the high development costs. mgm A12 relies on a range of different models that focus on the different challenges faced by companies: Data models, for example, describe the basic structure of business entities, application models define the structure of the application, UI models the structure of components such as forms. Above all, these model-driven abstractions make it possible to separate business and technology. This in turn is the basis for the fact that business experts only develop and adapt models, but no code has to be written manually.

One major advantage is that there are no classic prototypes, which are purely mock-ups designed to convey an initial feel for the application and are then no longer usable. Instead, initial data and UI models as well as workflows are created, which are implemented directly in a real application.

What is mgm Cosmo?

The mgm Cosmo insurance platform is based on the low code solution mgm A12. It is an open platform that is specifically geared towards the requirements of brokers and industrial insurers. Here, industrial insurers and brokers can build digital products and product worlds, including underwriting, cover and claims models, independently and easily. Product-specific processes are also mapped on the platform.



5. Example: Low Code Development with mgm A12 and Cosmo

mgm Cosmo is based on four modules that have been designed for specific business areas and fields of application:

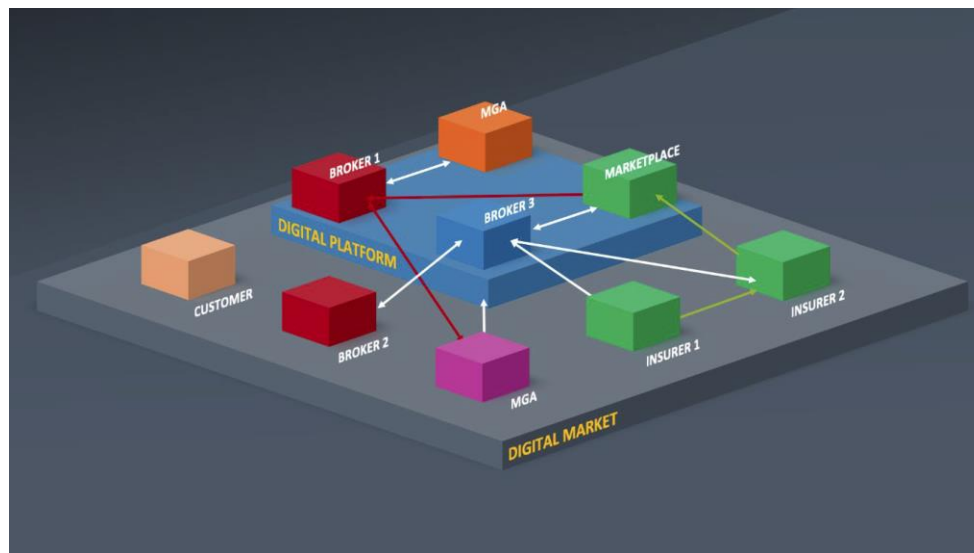
- **Cosmo Underwriting:** the solution for industrial insurers, MGAs and brokers maps the acquisition process and portfolio management and supports portfolio management.
- **Cosmo Digital Point of Sale:** the personalized portal for sales partners supports digital collaboration and makes the product available to external partners.
- **Cosmo Product Definition:** allows the management of condition modules for the products and thus supports the configuration of the content of offer, contract and addendum documents.
- **Cosmo Claims:** Administration and processing of benefit claims directed at the portfolio.

Once the most important business processes are digitized end-to-end, insurers and brokers can also benefit from automated processes such as underwriting and risk assessment as well as shared access to business data between partners.

The advantages of mgm Cosmo:

- Less development effort
- Faster to market maturity
- Lower costs thanks to faster business processes
- More efficiency in portfolio management
- Less administration, more time for individual insurance products
- More flexibility for insurance products
- Technical experts can customize applications easily and directly
- Complete traceability of technical changes
- Mockups and prototypes can be developed into applications
- Better cooperation and cross-project knowledge transfer

6. Contact



Do you have questions about mgm A12 and mgm Cosmo?

We will be happy to provide you with further information and advise you on digitalization issues.

Simply send us an e-mail: insurance@mgm-tp.com



7. Conclusion

Due to cost and margin pressure, cumbersome IT systems and customers who want fast and user-oriented insurance products, industrial insurers and brokers are constantly facing new challenges.

Thanks to digitalization at the latest, industrial insurers and brokers have realized that the paper-heavy and analogue processes in the insurance sector are slowing down business processes and robbing them of the flexibility they so urgently need. Gone are the days when customers accepted that it took weeks to receive a quote for an insurance inquiry. Only when time-consuming products and processes are digitized and automated can insurers and brokers respond to customer requests quickly and appropriately.

As in many other industries, legacy systems and complex IT infrastructures are sometimes the biggest challenges. However, it is not possible to modernize these structures so quickly. Even new solutions such as low code cannot be easily integrated due to the heterogeneous IT environment and require individual development in order to network the systems with each other.

Individual software development and professional system integration are unavoidable in order to connect these different worlds.

For this reason, companies are not only looking for a process optimization and modernization solution, above all they need a solution that knows how to deal with the old structures and can be integrated into even the most complex IT systems. With the low code solution mgm A12 and mgm Cosmo, this is exactly what is possible.

mgm Cosmo, which specializes in the requirements of industrial insurers, offers the flexibility and speed of a low code platform and integrates it into the most complex IT infrastructures. This means that insurers can already benefit from the low code advantages while still using legacy systems.

Another major advantage of this solution is that there is no hard break between the systems - the transitions are seamless. In this way, insurers can gradually optimize and modernize their infrastructures.



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