

# Don't Replace Legacy with Legacy

For many insurers, the need to transform their technology is critical to remain competitive because their legacy core system, just can't keep up. A core system that acts as a 'hub' for utilizing and interoperating with emerging technologies is key to creating operational efficiencies and for simplifying access to 3rd party data. The first step on the road to technological transformation is developing a thorough understanding of your desired destination; the modern core platform and how it differs from a legacy system.

Check out this ePaper for insights and steps to take to get your transformation underway.



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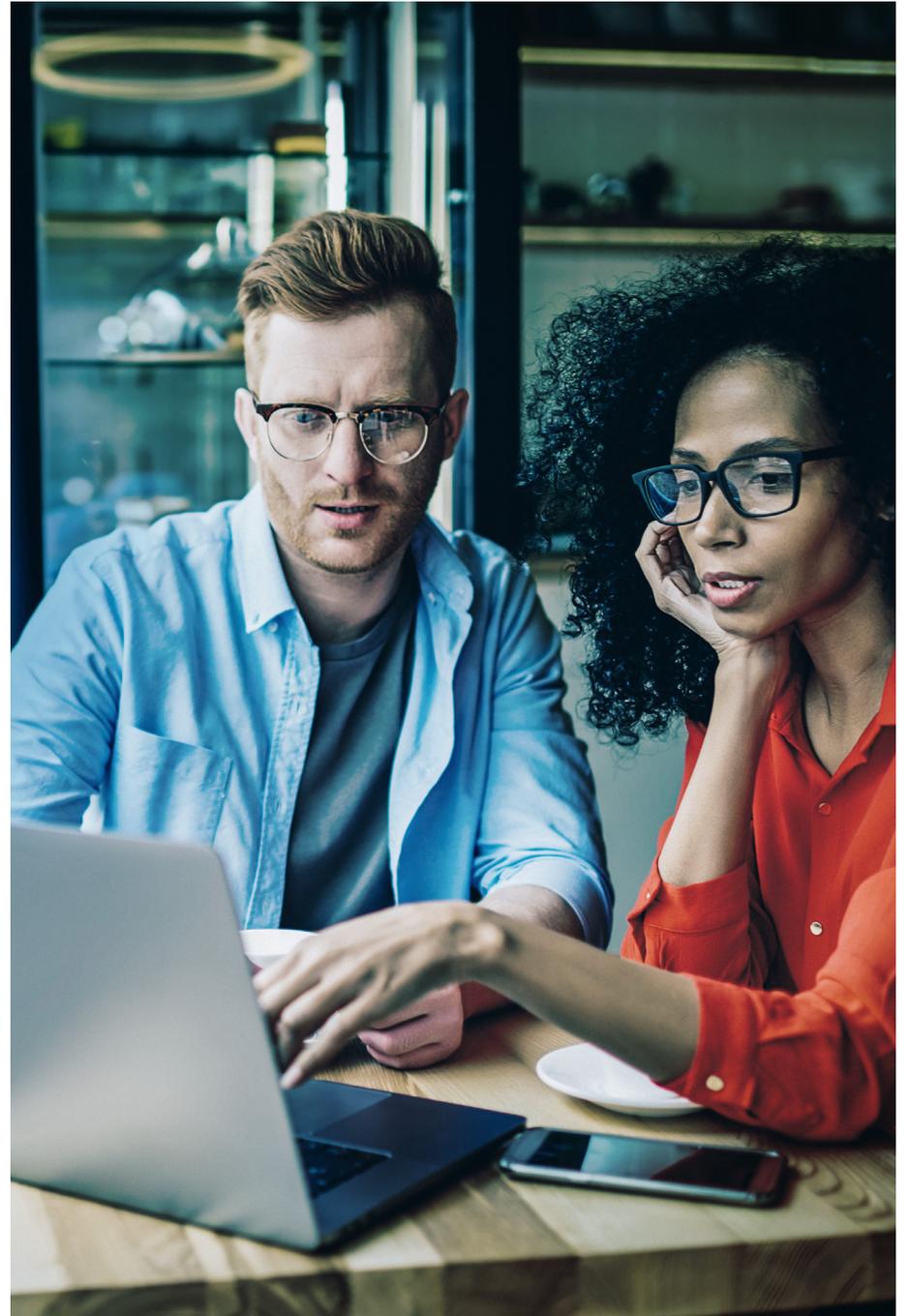


## Don't Replace Legacy with Legacy

As the famous saying goes, "standing still is the fastest way of moving backward in a rapidly changing world." This couldn't be more relevant today, providing very sage advice for insurers still operating older core systems. The challenge insurers face in this digitally driven market, is how to create a technology eco-system that is perpetually responsive? The trick is to make sure you don't replace your legacy system with an inflexible "modern" solution that simply stated, replaces "legacy with new legacy".

In today's complex insurance marketplace, repairing, upgrading or replacing a core system is a monumental undertaking. Understandably, it can be easy for technology leadership to be lured into solutions that just tweak or 'update' their existing systems. The problem is most legacy systems are hard coded and the cost and time to digitalize these older core systems is not only prohibitive, but truly doesn't address the business need.

For many insurers, the need to transform their technology is a critical one to remain competitive. Yet, to do so, insurers must build a broad business case for IT investment that results in a core system that acts as a 'hub' for utilizing and interoperating with emerging technologies. Further, this 'hub' must create opportunities for operational efficiencies and simplify access to and for the utilization of 3rd party data. The first step on the road to technological transformation is to develop a thorough understanding of your desired destination; the modern core system and how it differs from a legacy system.



## What's Different About Legacy vs. Modern Core Systems?

Understanding how legacy and modern core systems differ begins by understanding that although there are many similarities in how core systems handle business transactions – e.g. new business processing – there are vast differences in the underlying solutions' architecture. For instance, not all core systems are equal in their ability to extend, interoperate and even swap in and out features and functionality as the business dictates. Listed below are some key areas where legacy and modern systems differ:

- 1. Understanding the Customer:** Many legacy systems are policy-centric, causing a siloed view of the customer based on each policy they hold. Modern solutions that are customer-centric provide the ability to improve the "user-experience". A customer centric view allows for transparent and rapid customer service throughout the insurance lifecycle, as well as the capability to quickly respond to market opportunities by launching or modifying products. This allows you and your agents to manage customer relationships 'holistically' from a single screen. This capability to see everything about each customer's history and needs, including the ability to manage any of your corporate partners or supporting vendors engaged with that customer, dramatically improves the customer experience and drives greater retention and loyalty.
- 2. Multiple Systems vs Single Platform:** In the past (and, unfortunately, the present for some insurers), core systems are often comprised of a multitude of applications. Sometimes these applications are operating on different technology platforms or coded with varying computer languages and runtime libraries integrated with complex coding on the backend. As such, the potential for future system incompatibilities or integration troubles is high. In addition, the architecture complexity may constrain processes, speed-of-processing, speed-to-market, service capability, and overall system flexibility.

## Can Your Legacy System Handle Artificial Intelligence?

One of the most strident examples of the weaknesses in legacy systems is their inability to integrate new technologies such as Artificial Intelligence (AI) easily and without complex re-coding.

Insurance-sector AI is more than just chatbots these days. According to SMA Research's 2019 Top Predictions for Insurance, AI is about cognitive and machine learning, and natural language processing deployed through voice assistants, smart documents, texting, personalized interactive videos, and virtual reality. SMA predicts 2019 will be the start of AI becoming an active factor in business problem resolution, specifically "prevention and mitigation" of risks such as cybercrime and natural catastrophes.

Using AI and its insight into new data streams, SMA foresees insurers creating new pricing, products and underwriting approaches to address cyber exposure for small and medium businesses. AI will also enable insurers to facilitate risk management at an individual level "as traditional risk elements are augmented by granular data from non-traditional sources," such as geospatial data. For example, an AI-based claims settlement process could be made close to real-time following an event and not need onsite inspections to begin compensation.

Adding that type of technological capability requires an advanced open technology architecture like OneShield, that adheres closely to industry standards for data exchange — something many proprietary legacy systems fail to offer.

With a unified core solution, the ability to become a 'hub' with a single core data model is simplified and streamlined. A single technology platform allows you to see and manage from one screen a customer's many touchpoints, including multiple policies, invoicing, payments, and claims, to name a few. For example, with a single platform, you can make quick changes to billing plans and policies in one session. No more jumping among different applications, leveraging multiple tools, on different systems.

**3. Coding vs Configuration and the Promise of Maintainability:**

Code-based systems create a spider's web of challenges. In contrast, a defining hallmark of a system that will continue to evolve with your business is one that is configuration based, meaning, from the insurer's viewpoint, there is no complex coding required. The benefits of this configuration that is not offered with code-based solutions is the ease of maintainability. This allows an authorized business or technology user to customize workflows, processes, user interfaces, rates, product rules, and other aspects of the solution without dependency on a vendor and/or your IT department for business-based tasks.

**4. Legacy Upgrade Limitations:** Whether built in-house or acquired from vendors, decades-old core systems are often "upgraded" sporadically by inserting exception processes, a "wrapper" layer of new screens, or tacking on a new side system. The old core, though, is still there—limiting what legacy systems can do, creating redundancies with wrappers and side systems, adding to system overhead, increasing complexity and cost with every new change—making the system slower and harder to maintain, and more error-prone.

**5. Leveraging Microservices:** One of the clear advantages to a modern system comes in the capability to design products customized for a new generation of customers. Personalizing insurance products and pushing the boundaries of usage-based, pay as-you-go, and just-in-time insurance require agile systems that can transform and change for the demands of the market. Modern systems greatly reduce the cost of change and ongoing maintenance expenses. Plus, they make easy access to the use of new tools such as web portals, the addition of new rules to improve risk analysis, leveraging of geo-coding data and models in pricing algorithms, and cost analyses of third-party market partners.

**For insurers locked in a legacy system world, business processes cannot be adapted easily nor quickly to market or technology changes—leading to an ever-widening gap against business needs and, ultimately, calling for an expensive “rip and replace” of their system.**

## Proven Advantages of Modern Technology

To understand what drives and comprises a potential solution for your organization, start with these questions:

- Is the core system built on the same platform with the same data model? Or, are you buying a suite that has multiple modules integrated on the backend?
- Is there one “no-coding” configuration tool for the entire solution?
- Does the platform make engagement easier for consumers using the Web, and /or mobile devices?
- Does the system enable digital personalization (personalized emails, newsletters, offers, websites, or product bundles)?
- Does it reduce the cost of consumer engagement?
- How easily can a solution scale to meet demand or change its business model?
- Does the core system play well with others using microservices — that is, how easily can it be integrated with third-party applications?

## What Are Microservices?

A key aspect of today’s leading core system platforms are microservices — reusable modules that business and technology users can leverage to connect with third-party applications. Microservices step in to expedite a transaction or perform a single task. They are independently deployed services with discrete and narrow functionality. A microservice, for example, might involve creating a rate, doing name calls, account lookups or producing a certificate of insurance. Microservices, however, need a technology architecture or platform such as OneShield’s that is receptive to their plug-and-play attributes.

## CASE STUDY: Driving Core System Flexibility Up, Costs Down



Privilege Underwriters Reciprocal Exchange (PURE) of White Plains, New York, is one OneShield client that is harnessing the greater capability of modern core systems.

OneShield’s platform enabled PURE to configure workflow processes and allow agents and members to define their own policy delivery preferences. PURE integrated an electronic delivery partner into the system easily. **As a result, PURE’s book of business grew by more than 45% without increasing resources for policy issuance and mailing. Over 50,000 printed pages were saved in the first two years alone, and the cost of delivering a secure email directly to a member’s inbox with multiple policy documents attached was reduced to less than \$0.25.**

Perhaps the most important question to consider when weighing legacy vs. modern core solutions is this: **Do you anticipate your business will be the same 5 to 10 years from now?**

Most insurance carriers know the answer to that question instantly. With the digitalization of insurance services well underway, few carriers will be able to maintain the same business model in the years to come. Additionally, the rapid and disruptive growth of InsureTech entrepreneurs has demonstrated that modern technology-based innovations are finding new savings and efficiencies within old-school insurance business models. For example, they can deliver ultra-customized policies and use data from Internet-enabled devices to dynamically price auto premiums according to observed behavior such as driving patterns.

// You must ask yourself, why buy technology that only supports your business today? Your technology platform should evolve with your business both as it is now and in the future. //



## Why OneShield?

The insurance sector is about to be hit with a wave of new innovations that will significantly change the way insurers work and grow their business. The Deloitte Center for Financial Services' 2019 Insurance Outlook report calls on insurers to ask whether their organization has the technical capability to respond to consumer desires for increased personalization and flexibility of insurance policies and services. It asks whether insurers are ready to "knock down traditional product line silos to adapt to a changing economy?" And, are insurers' core systems ready for innovations such as "real-time, consumer-activated" insurance?

These questions and more observations in Deloitte's Outlook make it clear the legacy systems simply won't meet insurers' needs to explore new business models and strategies focused around customer experiences and emerging technologies. Gartner has also observed that insurers need to quickly start reviewing their growth strategies, finding that only 36% in 2018 were in the process of changing their business model.

OneShield provides configurable core management components that automate any stage of the policy lifecycle. From submission, qualification, rating and quote processing to issuance, endorsement, renewals and cancellations, new product launches, and premium audits OneShield automates and delivers all with reporting and statistical analysis capabilities. Underlying the components is a core transaction platform that is data-driven, highly extensible and massively interoperable, creating the foundation of an eco-system for enabling the utilization of emerging technologies.

Thanks to its progressive client base of global insurers and continuous advances in an open architecture technology platform, OneShield has remained an industry leader in developing core system suite solutions that offer increased functionality across different business units and segments of the insurance business.

Working closely with insurers, OneShield helps you reimagine the customer experience, not just for today but, more importantly, for the future. With OneShield, you can take control of your technology solutions and customize them to your business needs, reduce resource expenses, and increase speed-to-market.

The digitalization of insurance is changing your business at an unprecedented rate. Your core system platform needs to enable you to compete with this technological revolution.

To learn more about OneShield and to book a demo, connect with us at [info@oneshield.com](mailto:info@oneshield.com) or [1.888.663.2565](tel:18886632565).



## Sources:

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