

Pivot to New Possibilities:

A CIO'S GUIDE TO CHOOSING THE RIGHT MODERN CORE SYSTEM

"The power of digital transformation lies not in small changes but in impactful ones. Embracing true disruption unlocks ROI potential and provides a competitive edge in today's ever-changing business landscape."

Michelle Ip
Chief Commercial Officer at IXT



**Weathering the
Financial Storm**

When Legacy Hinders
Transformation

Upgrading Your
Business from the
Core

Selecting the
Right Modern Core

Moving Forward
with IXT

Weathering the Financial Storm

Recent economic headwinds are pushing insurance companies to prepare for potentially more complex risk scenarios. Surging inflation, market uncertainties, and a sluggish global economic outlook of just [2.9%](#) are all squeezing margins from every side.

Maximizing returns on investment (ROI) has never been more critical.

However, the traditional approach of aggressive cost-cutting and freezing new investments is no longer sufficient, as more market entrants are vying for a bigger piece of the insurance pie while consumers are looking for better products and services.

What is crucial for success in today's business landscape is true transformation. It goes beyond superficial changes, requiring a deep understanding of customer needs, a willingness to take calculated risks, effective implementation of innovative ideas, and a commitment to long-term change.

Being a CIO or tech executive, you are no doubt under pressure to deploy robust and resilient technologies to assist your company in achieving the goal and capturing a bigger market share of the [\\$7.5 trillion industry](#).

Yet, determining the best approach to transformation has never been easy. Insurers these days are also forced to balance their transformation efforts with other competing priorities like addressing the talent gap, creating an omni-channel customer experience, developing innovative products, and more.

This can be an overwhelming challenge, but also a rewarding one.

In this report, we are getting to the very core—figuratively and literally—to see how insurance CIOs can navigate these problems and lead their companies through transformation.



Weathering the Financial Storm

When Legacy Hinders Transformation

Upgrading Your Business from the Core

Selecting the Right Modern Core

Moving Forward with IXT



“In 2023, creating the right technical foundation for agility and openness will be targeted, along with replacing legacy assets that create a talent and investment drain on the organization.”

Kimberly Harris-Ferrante
Distinguished VP Analyst at Gartner



Weathering the
Financial Storm

**When Legacy Hinders
Transformation**

Upgrading Your
Business from the
Core

Selecting the
Right Modern Core

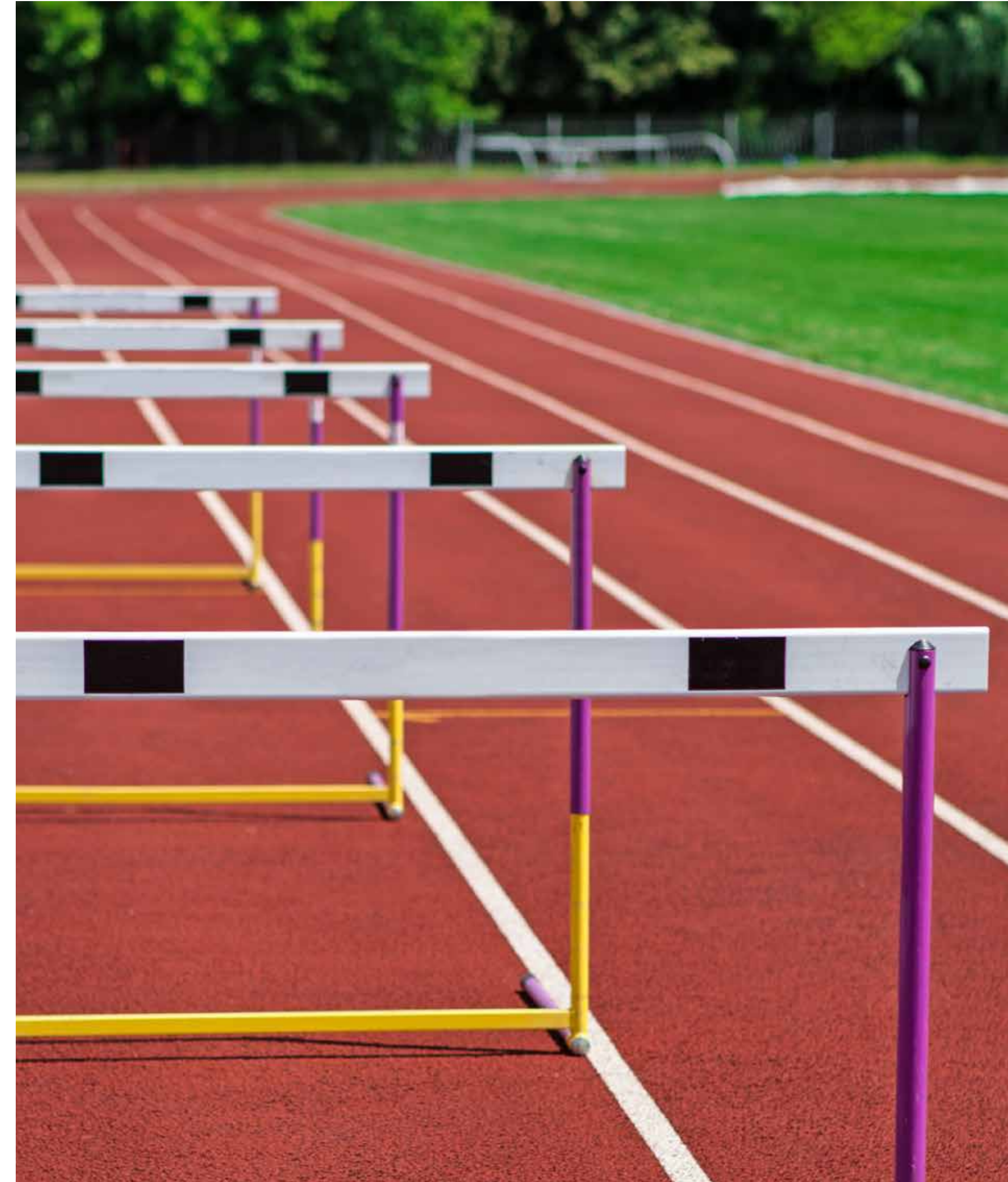
Moving Forward
with IXT

When Legacy Hinders Transformation

When it comes to the insurance industry, legacy systems and outdated technologies still hold sway. Nearly [41% of insurance CIOs](#) reported that legacy systems were the main barrier to tech success.

Aging systems and infrastructures with their dated programming languages and databases are mounting serious technology debt, making it extremely costly to even make a small change. This is only exacerbated by the quickly shrinking talent pool that can maintain these legacy applications, the costly efforts required to manage and scale them, and the lack of capabilities to support emerging business needs—all of which point to a need for more modern solutions.

It also helps explain why [Gartner](#), in its 2023 survey, found that legacy infrastructure and data center technologies are the least likely to be invested in by insurance CIOs, while 68% plan to increase investments in application modernization. New digital demands, such as the need for a modern CX, straight-through processing capabilities, and improved security, are said to be driving this push toward application modernization, especially core systems.



Weathering the
Financial Storm

**When Legacy Hinders
Transformation**

Upgrading Your
Business from the
Core

Selecting the
Right Modern Core

Moving Forward
with IXT

Upgrading Your Business from the Core

While legacy systems are monolithic in their design, modern core systems are designed to be flexible and scalable. They have the potential to revolutionize the way insurers operate and to unlock new growth for your business.

Additionally, [Bain](#) pointed out that modernizing and simplifying architecture can lead to game-changing cost reductions, with potential savings ranging from 30% to 40%. This approach surpasses others that solely focus on immediate cost-saving actions or transitioning to lower-cost technology and vendors.

[McKinsey](#) also found that when comparing the productivity of full-time employee (FTE) in operations (i.e., policies per FTE) for both Life and P&C with IT spend per FTE, insurers with complex legacy systems tend to have both a high IT spend and low productivity, while players with streamlined IT manage to achieve high productivity with limited IT expenditure.

Comparison between traditional and modern core insurance systems

Capabilities	Traditional Core Systems	Modern Core Systems
Architecture	Monolithic architecture, typically built on legacy code with heavy customizations	Microservice architecture with standard APIs to enable third-party app or system connectivity
Infrastructure	On-premises – limited scalability, high maintenance costs, and costly upgrades	Cloud-native – The cloud model scales with the business, and has lower maintenance costs
Data	Siloed data stored in different databases, without sufficient security controls.	“Single source of truth”, which reduces data ambiguity and inconsistency. Data are encrypted and sensitive information can be masked.
Processing	Batch-processing – unable to support real-time user experience	Real-time processing with performance analytics
Configurability	Any product implementation or enhancement must rely on tech resources and go through a lengthy development process	Low-code/no-code configuration for quick product launches and iterations
Speed to Market	Shortest - in a few months	Shortest - in days or weeks



Weathering the Financial Storm

When Legacy Hinders Transformation

Upgrading Your Business from the Core

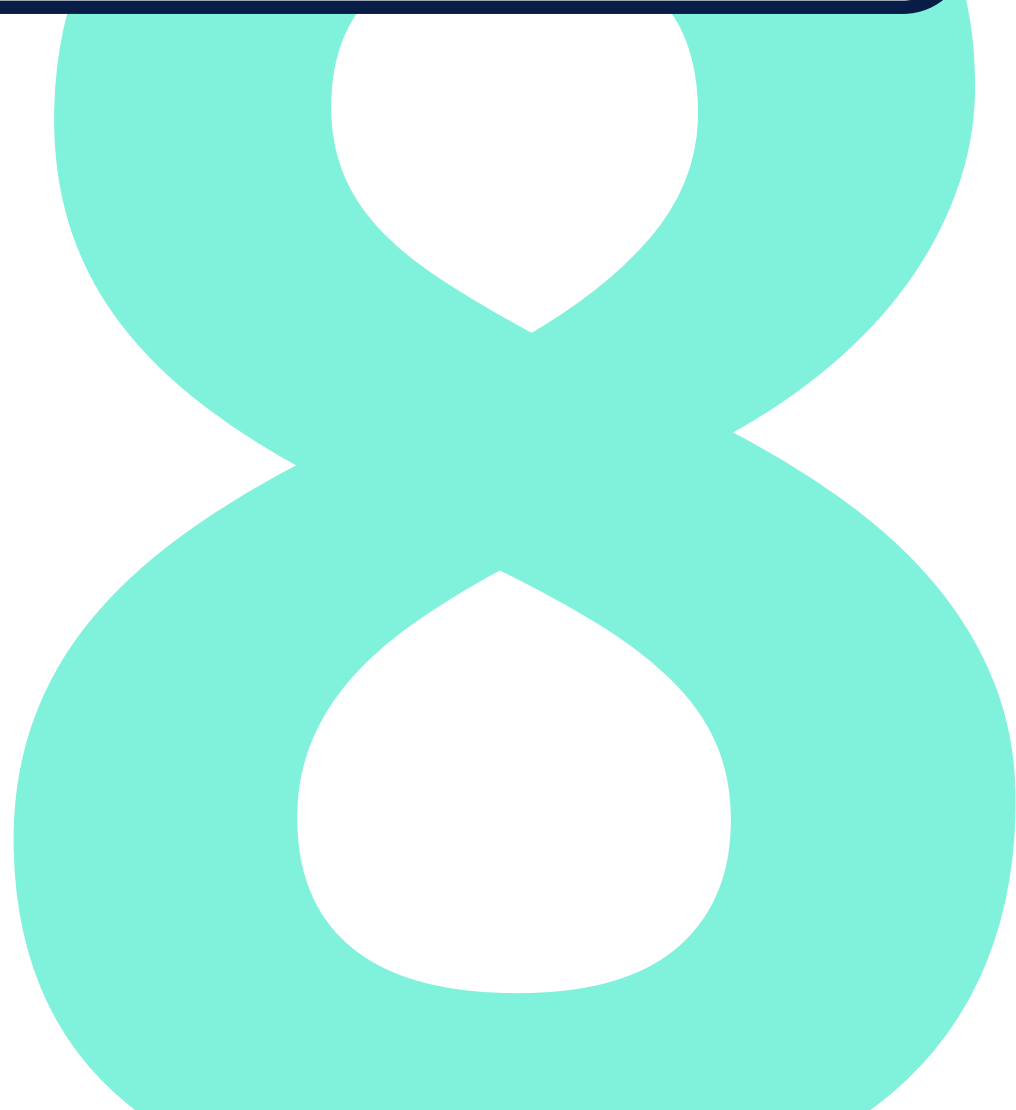
Selecting the Right Modern Core

Moving Forward with IXT

Selecting the Right Modern Core

Selecting the right system that best addresses your business needs and solves your unique pain points is a critical step to core transformation. But there are other things to think about beyond a vendor's experience and its system's ability to meet your needs.

Here are 8 important questions to ask when assessing your new core system >>>



Requirements:

Does the system cover features that are required for business needs?



Integration with existing systems:

How does the system enable connectivity with existing legacy systems and other applications?



Scalability:

How scalable is the system for future business growth and product expansion?



Innovation capabilities:

Can the system support new insurance use cases such as on-demand, usage-based insurance, embedded insurance, and parametric insurance?



Speed to market:

How long does it take to implement the system? How long would it take to launch a new product post implementation?



Localization:

How easily can the system localize for the local market requirements?



Support and maintenance:

What resources are required for system maintenance and upgrades post implementation?



Cost:

What is the total cost of ownership and return on investment (ROI) over the system's lifetime?



Weathering the Financial Storm

When Legacy Hinders Transformation

Upgrading Your Business from the Core

Selecting the Right Modern Core

Moving Forward with IXT

Selecting the Right Modern Core - cont.

In addition to these questions, there are several key technical factors that must also be considered including:

Security & Compliance:

Insurers collect and store vast amounts of highly sensitive customer data, including personal identifiable information, financial details, and medical records. Therefore, the industry is subjected to stringent privacy and data protection regulations, which can vary from country to country.

Question

Does the system provider have relevant security accreditation or certifications? What types of hosting options are available? Where will the data be hosted? What controls are in place to protect the data? Can the system comply with the local regulations and requirements?

Open APIs:

To succeed, insurers need to build comprehensive digital ecosystems for distribution, product innovation, and customer services and engagement. Open APIs provide a foundation for achieving this, enabling integration of internal systems and third-party applications. This allows insurers to quickly integrate, bring speed-to-market, and build scalable partnerships.

Question

Does the system have standard APIs available? What are the APIs available? How does the system manage and control access to the APIs?

Automation:

Manual processes have long been the norm in the insurance industry for underwriting, claims processing, and policy administration. Automation capabilities are essential for insurers to streamline operations, boost efficiency, and free up staff to focus on more value-adding tasks.

Question

What automation capabilities does the system offer? Does the system support straight-through processing? Are no-code or low-code capabilities available to the system for rules configuration?



The questions above can be a useful starting point, but the list is not exhaustive, and there may be additional factors needing consideration. To ensure a successful digital transformation and unlock its business value, it is paramount to select and work with the right core system provider. A Proof of Concept (POC) project is a great way to get started, allowing you to launch a project on a smaller scale, test the capabilities, and gain valuable insights.



Weathering the Financial Storm

When Legacy Hinders Transformation

Upgrading Your Business from the Core

Selecting the Right Modern Core

Moving Forward with IXT

MOVING FORWARD WITH IXT

IXT offers a scalable, low-code modern core system built specifically for the insurance industry. Drawing on our decades of accumulated industry experience and expertise, IXT can support insurers throughout their entire value chain, helping them realize their digital ambitions and unlock their fullest potential.

Get in touch to know more ▶▶

 grow@theixt.com

www.theixt.com



Weathering the
Financial Storm

When Legacy Hinders
Transformation

Upgrading Your
Business from the
Core

Selecting the
Right Modern Core

**Moving Forward
with IXT**