WHITEPAPER

Modernization in Motion: A Platform Strategy for Life Insurance Innovation

sapiens

Where Modernization Loses Momentum

Life insurers have made digital transformation a strategic priority. They have developed modernization roadmaps, engaged consultants, and allocated budgets. But most modernization efforts stall before delivering measurable business impact, despite the significant investment.

This challenge across the insurance industry reflects what many leaders now describe as the "**performance gap**" – the growing divide between strategic intent and operational execution. As noted in our whitepaper, carriers increasingly recognize the need for greater agility, smarter decision-making, and more resilient operations. But these goals remain elusive, due to legacy processes, fragmented systems, and manual workarounds. It's difficult to keep transformation moving once organizational friction and legacy complexity take hold.

74%

of insurers say legacy systems hinder business growth[1]

28%

have a comprehensive modernization plan in place[2]

3–7 years

expected time for most insurers to move core systems to the cloud[3]

Long-duration products, complex underwriting, and deep customer relationships are critical to sustained operations and long-term success for life insurers, so the stakes of inaction are high. Organizations seek practical approaches with collaboration from trusted insurtech partners. The goal is to keep digital transformation efforts on track and benefit from the innovation that will breathe life into the next generation of life insurance.

[1]Sutherland Global. "Redefining Legacy Transformation in Insurance: Insights for 2025 and Beyond." January 21, 2025
[2]Ibid.
[3]West Monroe. "Legacy Systems, Budget Constraints Stall Insurance Modernization." October 2025

Redefining Life Insurance Modernization

The insurance technology landscape is undergoing a fundamental shift.

Insurance modernization has been synonymous with a single, high-stakes technology replacement. This is often a core system overhaul that consumes years of investment and organizational energy. Modernization is ideally broader, more nuanced, and counter-intuitively, easier to achieve. It encompasses three interlocking dimensions:

> *Solution providers are moving beyond traditional policy administration systems (PAS) to deliver platforms that span the entire insurance ecosystem.*
>
> –**Datos Insights**, 2025

Technology Infrastructure
Replacing or augmenting aging platforms to enable scale and integration

Business Model Evolution
Reimagining how products are designed, distributed, and serviced in a digital-first world

Cultural Transformation
Embedding change as an operating principle, rather than an exceptional event

Life insurers have built decades of actuarial expertise, underwriting discipline, and policyholder trust via their existing systems. The goal is not to dismantle that foundation, but rather to modernize around it – extending its life and streamlining where appropriate to meet market demands.

Redefining modernization this way reframes the question from, "When will we finally be finished?" to "How do we keep moving forward?" This shift aligns transformation with evolving workforce capabilities and enduring domain expertise, while empowering insurers to develop the agile intelligence needed to adapt to changing risk, regulation, and market dynamics.

Why and Where Insurers Lose Momentum

1. The Stability Trap

Insurance is structurally designed to discourage disruption. Recurring revenue, multi-year policy contracts, and stable renewal cycles are intended to create a stable, consistently profitable business environment. Insurance carriers manage risk for a living and introducing a major technology variable into an otherwise stable operation is contrary to the industry's core discipline. But operational friction is beneath that stability in many organizations:

- Illustration systems remain disconnected from underwriting, creating downstream rework
- Manual re-keying between the PAS and CRM slows processing and increases error risk
- Annuity product configuration requires code changes, instead of configuration updates
- Agents navigate fragmented systems, driving frustration and slower placement

The problem isn't instability, but diminishing competitive advantage.

2. The Legacy Tax

Beneath the facade of stability lies a compounding cost that few carriers fully account for: the "legacy tax." More than half of insurers now allocate 51%–75% of their IT budgets to keeping existing systems operational. This creates a self-reinforcing cycle – aging systems demand more maintenance, leaving progressively less capital available for transformation.

Legacy systems inevitably "hinder agility, limit data integration, and expose firms to cybersecurity vulnerabilities." As open-data frameworks and consumer protection standards evolve, carriers relying on outdated infrastructure face an expanding compliance gap that newer, more agile entrants do not share.

3. Fear of Failure

Institutional fear is the most underappreciated barrier to transformation. The insurance industry has accumulated a significant body of cautionary tales, particularly core system replacements that ran years over schedule and budget and then failed. The fear of becoming a cautionary tale is prevalent in the industry.

4. The Knowledge Drain

The industry faces an accelerating knowledge drain, with approximately 25% of the insurance workforce over the age of 55. Retiring employees take their deep institutional knowledge of legacy systems, which is often undocumented and irreplaceable, with them when they leave. This creates a paradox: the systems that are most urgent to replace are also the hardest to upgrade.

5. Budget Cycles That Punish Long-Term Thinking

Annual budgeting processes are structurally hostile to multi-year transformation initiatives. When 52% of organizations have delayed or canceled two to three strategic technology programs in a single year due to budget constraints, it signals systemic misalignment between modernization timescales and financial planning rhythms.

The Momentum Framework: How Insurers Keep Moving

Sustaining modernization momentum is not simply a technology exercise – it is a critical step in closing the **performance gap** between strategic ambition and operational execution. It requires a shift in operating philosophy – the carriers that are making consistent progress share **four defining characteristics:**

Set the Business Mandate

It's time to stop treating modernization as an IT initiative and start treating it as a core business strategy with measurable outcomes. This means aligning modernization priorities to revenue growth, customer retention, and operational efficiency.

Embed a Change-Ready Culture

Culture is the primary determinant of whether transformation sticks. Building a culture of change requires visible leadership commitment, tolerance for calculated risk, and the creation of psychological safety for teams to experiment and iterate, without fear of punishment. This creates a solid foundation for the next generation of the workforce.

Build Proof, Then Scale

The best place to start is often with a targeted, high-impact starting point. This approach begins with bounded, high-visibility initiatives that demonstrate tangible value, generating the organizational evidence needed to justify further investment and building institutional confidence to assume progressively larger challenges.

Align on Outcomes

Modernization initiatives that are owned exclusively by technology teams tend to solve for architecture, rather than for customers. The most successful transformations hardwire collaboration between business and IT into their operating model – shared:

- Decision rights
- Budgets
- Accountability for outcomes

Leveraging expertise from insurtech partners is also critical.

Technology Foundations for Insurance Platform Modernization

Not all technology investments sustain modernization momentum. Successful life insurance modernization depends on establishing a strong technology foundation. This is typically an insurance technology platform that connects capabilities across the policy lifecycle. The most effective platforms enable insurers to accelerate product innovation, improve placement, and reduce operational friction across distribution, underwriting, and policy administration.

Cloud Infrastructure and Data Foundations

Cloud is not simply a hosting decision – it is a growth enabler. Without it, advanced analytics, AI deployment, and real-time data integration remain aspirational. Two-thirds of insurers expect to spend three to seven more years completing this transition – a timeline that makes every day of delay more expensive.

Equally important is data governance. Modern cloud platforms must be paired with robust data architectures that enable carriers to access, analyze, and act on information across underwriting, claims, and distribution without friction. This creates the agile intelligence needed to respond quickly to changing market conditions and customer expectations.

Outcome: faster product rollout and more responsive market adaptation.

> *Insurers that have a bold vision for AI and integrate it deeply into how they operate stand to gain significant competitive advantage — but they must get their tech transformations right.*
>
> –McKinsey

AI and Intelligent Automation

Artificial intelligence is now an operational differentiator that is embedded across the insurance value chain. Insurers with modern, cloud-native infrastructure are already deploying AI to accelerate underwriting decisions, detect fraud, personalize policyholder communications, and streamline claims processing.

Outcome: higher placement, better risk selection, and improved retention.

API-First Architecture and Integration Layers

Legacy core systems do not always require full replacement. With an API-first architecture, insurers can connect aging PAS platforms to digital capabilities, for faster product configuration, improved distributor connectivity, and smoother customer engagement. Emerging interoperability frameworks, such as the Model Context Protocol (MCP), further simplify integration by standardizing how systems share contextual data. This makes it easier to deploy AI-driven analytics, automation, and processes around legacy environments.

While this wrapping strategy does not remove the structural limits of legacy systems, it provides a practical transition path, helping organizations accelerate innovation, reduce operational friction, and develop future-ready capabilities, while enabling broader modernization.

Outcome: real-time distributor connectivity and improved agent experience.

Low-Code and No-Code Development

Low- and no-code platforms democratize technology development by enabling business teams to build and iterate on digital experiences, without deep engineering involvement. This dramatically accelerates the ability to respond to regulatory changes, new product launches, and shifting customer expectations. In other words, capabilities that are frequently blocked by legacy systems.

Outcome: faster regulatory updates and accelerated product agility.

Partnership in Action: Execution Over Architecture

Partnership isn't just about technology — it's about trust, growth, and the future of life insurance...
–**InsuranceNewsNet**

The Build vs. Buy Decision

The decision to build technology capabilities in-house or collaborate with insurtech partners should be driven by a single strategic question: is this capability a core differentiator? For everything else, partnering with specialist providers offers faster speed-to-market and access to domain expertise that would take years to build internally. This hybrid model avoids the false choice between full, in-house development (slow, expensive, and risky) and wholesale outsourcing (fast, but potentially misaligned with strategic priorities).

Outcome-Based Transformation Models

Leading transformation partners are moving away from fixed-fee engagements toward outcome-based models that align incentives with results. Under these frameworks, partner compensation is tied to measurable improvements in claims processing speed, policyholder retention, or operational cost reduction. This model reduces modernization risks for carriers and creates a shared stake in success that traditional technology contracts do not offer.

The Importance of Execution Discipline

Architecture is necessary, but not sufficient. Many failed insurance modernization efforts result from beautifully designed systems that were never fully deployed, adoption programs that stalled after launch, and transformation roadmaps that stalled while competing priorities consumed organizational energy.

The carriers sustaining momentum have built execution discipline into their transformation programs – clear sprint governance, measurable milestones, and escalation pathways that keep initiatives moving when the inevitable organizational friction emerges.

What Momentum Looks Like in Practice

Momentum is measurable. Carriers that have maintained consistent progress through their modernization journeys demonstrate it in specific, trackable ways. Below are the metrics and behaviors that are the hallmarks of organizations in motion.

Distribution and Placement Performance

Speed drives revenue in life insurance. According to LIMRA and carrier case studies:

- Carriers deploying accelerated underwriting and workflow automation have improved placement rates by 5%–15%.
- Up to 60%–80% of policies submitted in good order (IGO) can be issued within three days when underwriting and PAS systems are integrated.
- Digital agent portals increase e-submission adoption rates by 20% or more, reducing not in good order (NIGO) rates and rework cycles.

Faster decisions increase issued premium and strengthen distributor loyalty.

20%
increase in customer retention with predictive analytics[6]

Operational Efficiency

Research shows that core modernization initiatives in life and annuities can deliver:

- 20%–30% reduction in policy servicing cost per policy following cloud-enabled PAS upgrades.
- 87% of policyholders select insurers based on the quality of their claims processing experience — making claims modernization a direct retention lever.
- 30%+ improvements in straight-through processing rates for underwriting and searvicing functions.

Reducing operating expense directly protects spread and strengthens earnings resilience.

200%
average ROI within 3 years of meaningful modernization[4]

Risk and Analytics Performance

With modern data architecture and AI-enabled analytics, there is:

- 40% reduction in fraudulent claims achieved by carriers deploying machine learning-based fraud detection.
- 20% improvement in retention rates via predictive lapse management programs.
- 200% average ROI within three years for carriers completing meaningful modernization programs.

Better insight strengthens profitability and customer lifetime value.

40%
reduction in fraudulent claims via ML-based detection[5]

Product Agility and Competitive Responsiveness

Speed-to-market determines share capture in competitive annuity and indexed life segments. According to industry transformation studies:

- Modernized carriers report up to 50% faster product configuration cycles, particularly for riders and indexed crediting strategies.
- Real-time data access across underwriting, claims, and distribution enables faster regulatory compliance and more agile market responses.

Organizations with cloud-native infrastructure are positioned to deploy AI at scale, which is a capability that is structurally unavailable to carriers anchored to legacy systems. Agility protects revenue by empowering carriers to adapt before their competitors.

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[4]McKinsey & Company. "Harnessing the Power of Digital in Life Insurance." McKinsey Financial Services Practice
[5]Deloitte Center for Financial Services. "Using AI to Fight Insurance Fraud." Deloitte Insights, December 2024 https://www.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-predictions/2025/ai-to-fight-insurance-fraud.html
[6]Op. Cit., McKinsey & Company

Measuring Progress Without Chasing Perfection

One of the most common causes of modernization failure is the pursuit of perfection at the expense of progress. Carriers that insist on fully integrated, enterprise-wide transformation before claiming success often find themselves with neither. They get paralyzed by the scope of what they've committed to and are unable to demonstrate the value needed to sustain organizational support.

A more effective approach treats modernization as a series of compounding victories, rather than a single destination. This requires a measurement framework that captures progress at multiple levels.

Input Metrics: Are We Investing in the Right Things?

- Percentage of IT budget allocated to innovation vs. maintenance — the target is to progressively shift away from legacy tax.
- Number of modernization initiatives with defined business ownership — not just IT ownership.
- Proportion of technology investments tied to measurable business outcomes.

Process Metrics: Are We Progressing?

- Velocity of key transformation workstreams — are sprints completing on schedule?
- Time from product concept to market deployment.
- Number of legacy COBOL modules retired or wrapped in the past 12 months.

Outcome Metrics: Are We Winning?

- Claims processing cycle time and customer satisfaction scores.
- Cost per policy serviced, year-over-year.
- New product launch frequency and time-to-revenue.
- Employee productivity measures in modernized vs. legacy operating environments.

Modernization in Practice

ivari, a Canadian-based life insurer, realized measurable modernization momentum unifying its illustration, underwriting, and application platforms. Within six months, the carrier achieved 90% advisor adoption, significantly improving speed and engagement. Products and applications can now be settled in one day and straight-through processing has enhanced operational efficiency. Advisors report a significantly improved digital experience, thanks to an integrated platform that replaces disconnected legacy tools.

These metrics must be reviewed in business leadership forums. When modernization progress is visible to the CEO, CFO, and board, it becomes a strategic priority, rather than an IT project. That visibility is what keeps momentum alive through budget cycles, leadership transitions, and the inevitable setbacks that accompany any significant transformation.

Call to Action: Keep Modernization in Motion

> *Core insurance platforms as 'mission-critical systems... [are] foundational for digital optimization and enablers for digital transformation.*
>
> –**Gartner, 2025**

The window for gradual, comfortable modernization in life insurance is closing, due to intensifying competition from more agile insurtechs, rising consumer expectations for digital-first experiences as a result of evolving regulatory requirements, and the accelerating impact of AI. Carriers who delay transformation are not simply postponing an upgrade, but ceding strategic ground that will become progressively harder to recover.

Momentum compounds. Early wins build confidence. Adoption spreads. Data generated by modern systems reveals new opportunities. Progress fuels more progress. For those already in motion, the imperative is to sustain discipline by measuring what matters, aligning incentives, and resisting the pull of legacy comfort.

Life insurers that lead the next decade will be those that transform modernization momentum into agile intelligence, enabling faster decisions, smarter operations, and lasting competitive advantage. They'll close the performance gap between strategy and execution that defines competitive advantage in the modern insurance market. With AI-enabled capabilities, deep life and annuity expertise, and cloud-native platforms, Sapiens helps carriers modernize the policy lifecycle, accelerate innovation, and deliver measurable business outcomes. Modernization isn't a one-time project — it's sustained motion. Sapiens helps life insurers move forward quickly.

Start the conversation.

Learn how Sapiens can help you sustain modernization momentum.

Contact us