

# Rationalising legacy platforms

The business case has never been stronger

In today's dynamic market, traditional rules for managing legacy systems no longer apply. Process driven, reliable data migration, modern SaaS based technology and digitally enabled, flexible administration platforms signal a paradigm shift in strategy.



# The legacy challenge



Despite high running costs, inefficient processes and outdated technology, many life and pension insurers continue to manage complex legacy systems. Consumer demand for digital channels and pressure for legislative reform means that these companies now need a flexible, agile operational structure. Here, Keylane explains why today's SaaS based technology is the ideal solution; offering overwhelming business benefits and a cost-effective model for future developments.



## Time of change

Many established legacy systems have been in place for up to 40 years but the argument against change no longer stands up to scrutiny.

In a digital age, consumers expect to connect and transact with providers across all industries in a variety of ways. Ageing legacy systems that are unable to adapt to the demand for this type of multi-channel interaction present a major challenge for Life & Pension (L&P) providers seeking to optimise customer engagement.

The global insurance market also continues to undergo significant upheaval in terms of regulatory and economic developments; all of which puts increased pressure on margins and costs.

The recent EU Solvency II Directive harmonises the regulation of insurance companies' capital requirements and so enhances consumer protection. Discussions around this and other areas of compliance are ongoing

with further reforms likely; meaning insurers need to be ready and able to modify systems accordingly.

In addition, there is evidence of an upward trend towards increased merger and acquisition (M&A) activity, with recent deals between Friends Life and Aviva, as well as Just Retirement and Partnership Assurance.

## Adapt to thrive

Given these market conditions, insurers must be prepared to adapt business models swiftly in order to remain competitive.

Previous strategies of either selling off legacy life and insurance pensions books of business to other insurers or outsourcing their management (without migration to a cost effective IT platform) effectively passes the problem of managing legacy system costs from one provider to another. It may avoid the immediate and difficult issue of legacy rationalisation, but over time the issue remains and is magnified by a reducing policy count.

## Growing urgency to act

Core technology that is used for running complex insurance processes has typically grown organically and through acquisitions. For many companies, this has led to an amalgamation of complex, disparate applications - often end-of-life in terms of support - that require costly maintenance provided by scarce resources.

Plus, regulatory changes must be implemented and tested according to each individual system; an expensive and time consuming activity.

In fact, such IT landscapes can account for up to 75% of the operating and underlying IT costs associated with servicing policies.

### Providers are facing decade-old problems related to maintaining outdated technology including:

- How to find skills for old technology
- Poor data quality
- Prohibitive running costs
- Inability to respond quickly to market developments
- Inefficient business processes.

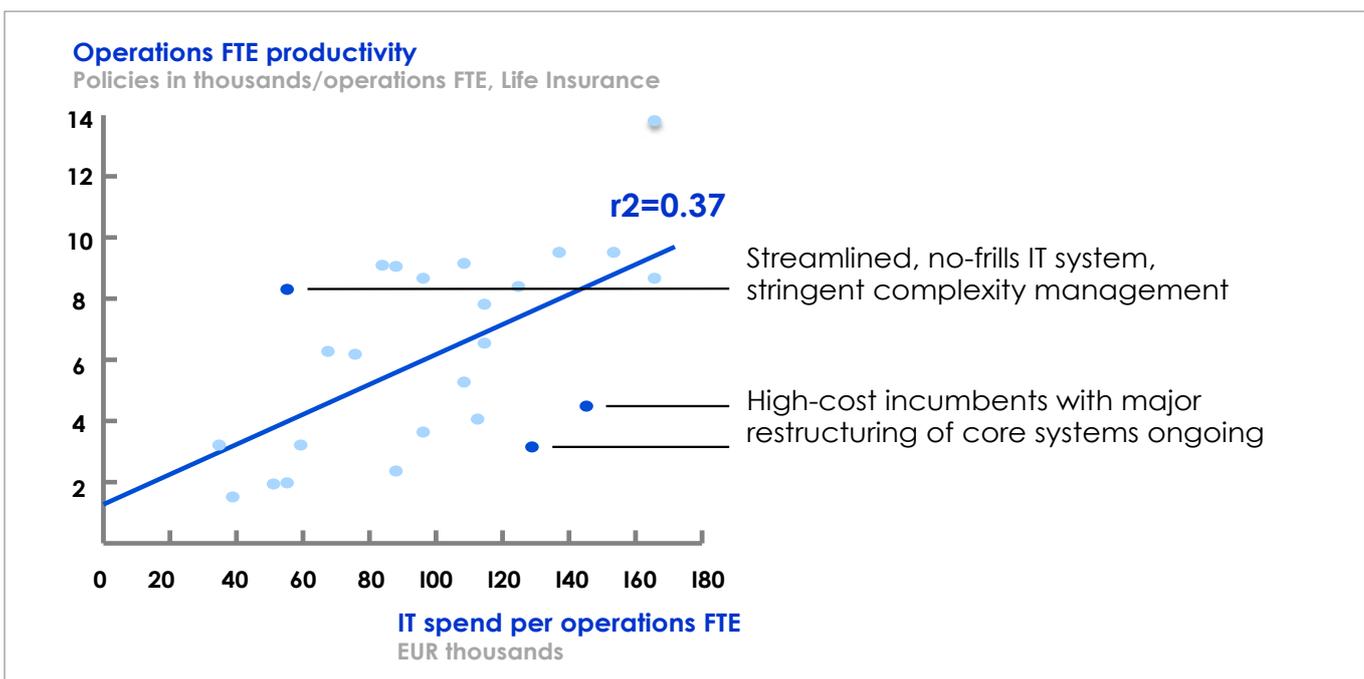
### Rethinking migration

The clear impact of the current situation is a huge cost burden in terms of administering complex books of business - and left to run, the problem only looks set to grow and become ever more cumbersome.

This prospect demands a complete change of mindset on the part of insurers. The 'leave alone' attitude, which has historically represented the safe option in legacy rationalisation decisions, can now be successfully challenged. It is no longer justifiable from a business case perspective to base decisions on the premise that such systems 'work ok' or that data migration is too risky and expensive. Not only has technology advanced to make the whole transition much quicker, cheaper and reliable, but there is also growing evidence to support the business benefits of such a move.

### Measurable benefits

McKinsey's recent 360 report entitled 'Successfully reducing insurance operating costs' states: "A fragmented legacy IT landscape is often a root cause for failing to leverage economies of scale, driving high IT costs as well as mushrooming operational costs. When comparing the number of policies per full-time employee in life operations with IT spending per full-time employee, we found that insurers with complex legacy systems tended to have both high IT spending and low productivity, while those with streamlined IT managed to achieve high productivity with limited IT expenditure."



SOURCE: McKinsey's Insurance 360® benchmarking

## Why SaaS based solutions are the answer

The power of SaaS technology lies in its ability to support L&P insurers driving key objectives:

- Reduce costs
- Increase sales
- Deliver better, faster and more connected services to customers and intermediaries.

This is achieved partly thanks to its variable cost model – the nirvana for legacy system management. Insurers pay according to a subscription formula in which the costs per policy vary by volume; this means with a declining portfolio of policies; the total costs also decrease.



### Cost effective, modern technology

However, the potential cost benefits are even greater. Overall budgets relating to migrating legacy systems have been transformed; with current SaaS based solutions providing a highly efficient, streamlined option for a fraction of anticipated costs.

Back in 2000, for example, migrating a mixed policy book of up to 500k policies to a new system with workflow and CRM capability could easily require a three to four year programme costing between £20-£25m.

Fast forward to today and the figures are very different. Migrating a similar book to a flexible, modern, SaaS based system – including STP capability via internet based portals - can be achieved within two years for £2-£3m and deliver an IT cost reduction of up to 50%.

**“TECHNOLOGY HAS ADVANCED TO MAKE THE WHOLE TRANSITION MUCH QUICKER, CHEAPER AND RELIABLE.”**



### Keylane: Proven SaaS solution experts

According to Gartner (December 2015), Keylane is the most experienced SaaS provider of life insurance policy administration systems in Europe. This is demonstrated via our work with over 100 clients; proving time and again our ability to deliver world-class platforms that provide a single administration solution backed by industry leading migration capability.

## Reduced risk

The latest creative commercial models also address concerns around the risks of data migration. Forward thinking companies, such as Keylane, are prepared to work on a payment by results basis; fixing the outcome and providing greater assurance of success from the outset. Plus, once the transfer is complete, the subsequent reduced running costs deliver a rapid return on the original investment.



**“THE CASE FOR PLATFORM RATIONALISATION IN THE UK L&P SECTOR HAS NEVER BEEN MORE COMPELLING.”**

## Strategic advantage

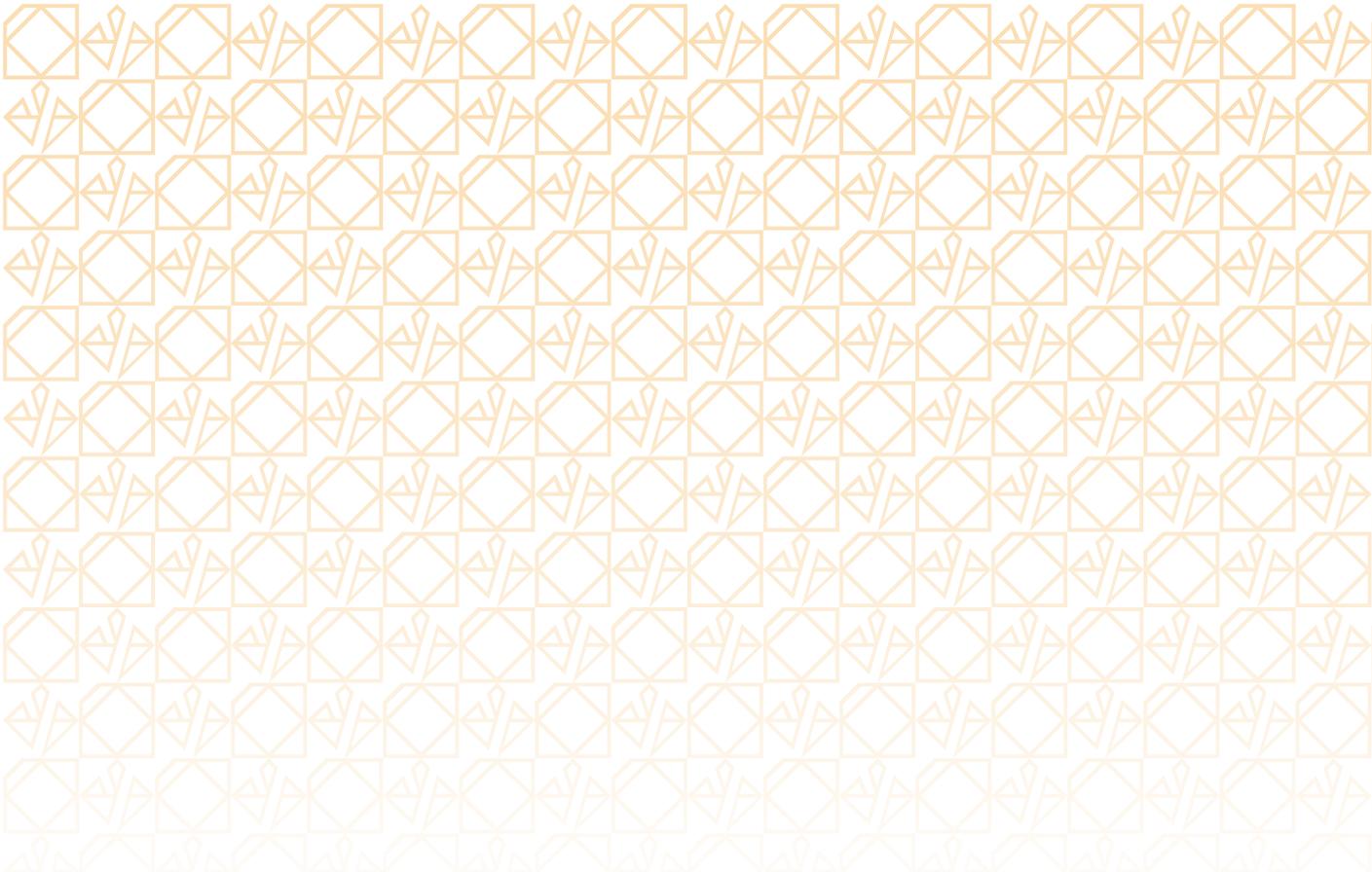
Given these many advantages, it is clear that SaaS based technology provides a robust, modern platform guaranteed to support business as it moves forward and adapts to an ever changing commercial environment through:

- Flexible technology delivered in standardised form
- Hosted by a supplier and delivered through the web
- Zero licence fees
- Focused, repeatable and reliable migration process
- Co-ordinated updates resulting from ongoing regulatory compliance
- SaaS based service.



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### About Keylane

Keylane is a leading European supplier of SaaS based software solutions for insurers and pension institutions. More than one hundred financial service providers in Europe use Keylane's software and achieve measurable results such as a reduction in costs, a reduction of the time-to-market and higher levels of customer satisfaction. Thanks to its in-depth knowledge of the industry and world-class technology, Keylane is able to offer its clients an excellent service.

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