From Legacy to Leadership: Strategies, Success Factors, and Roadmaps for P&C Core Transformation

Capgemini

Contents

Executive Summary

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Core system renewal is often treated as tomorrow's problem, quietly accumulating risk and complexity. This PoV challenges leaders to confront the hidden costs of inertia and shows how decisive action can transform uncertainty into value.

This Capgemini Point-of-View on Core Insurance Transformation aims to offer a compelling narrative for executives who are preparing to lead modernization initiatives in the property and casualty (P&C) insurance sector.

The report opens by emphasizing the **urgency for transformation**, driven by the limitations of legacy systems that slow innovation, increase operational costs, and hinder customer experience. Insurers face mounting pressure to adapt to a digital-first market, where agility and automation are essential for competitiveness. At the same time, IT departments grapple with aging platforms and shrinking pools of skilled professionals, making the case for transformation both a business and technology imperative. Yet, the report cautions that these programs are high-stakes endeavors, with risks that can impact operations, finances, and reputation for years to come. Success hinges on making foundational decisions early, clarifying objectives, choosing the right modernization approach, and establishing robust governance.

A central theme is the necessity of a **unified vision** that bridges business ambitions and IT realities. Capgemini's experience shows that transformations driven solely by IT often miss broader opportunities for business reinvention. True value emerges when both business and IT leaders jointly own the vision, aligning priorities and clarifying the rationale for change. This alignment enables organizations to pursue outcomes such as operational efficiency, accelerated product launches, and enhanced customer and broker experiences, while also addressing IT goals like legacy exit, cost reduction, and readiness for new technologies.

Defining the scope of transformation is presented as a critical step. By clearly articulating which domains, customer segments, lines of business, and channels are included, executives can focus resources, set measurable goals, and reduce risk. The report advocates for establishing program guardrails, i.e. guiding principles that help teams make decisive, value-driven choices. These include prioritizing business transformation over technical replacement, favoring out-of-the-box solutions over customization, and fostering collaboration and adaptability.

When it comes to **modernization pathways**, Capgemini observes a strong market trend toward packaged insurance suites leveraging Cloud or even SaaS deployment approaches. These solutions offer agility, scalability, and rapid product launches, making them the preferred choice for most carriers. However, the selection process must be strategic, considering vendor stability, open architecture, and the ability to adapt as business needs evolve. The report warns against excessive customization and vendor lock-in, recommending contractual safeguards and investment in internal capabilities.

Building the **right team** is another cornerstone of success. Internal teams often lack experience with large-scale transformation, so external partners like system integrators and vendors play a vital role in bridging skill gaps and accelerating delivery. Shoring strategies, which combine local expertise with nearshore or offshore capacity, are highlighted as effective ways to balance scale and efficiency. Hybrid working models, blending onsite alignment with remote execution, are recommended to foster collaboration and maintain momentum.

Governance is described as the backbone of transformation, operating across strategic, tactical, and operational layers. **Agile frameworks** and the use of **generative AI** (GenAI) are recognized as accelerators, enabling teams to manage dependencies, adapt to change, and deliver incremental value.

The report encourages executives to **standardize products** and **processes** during transformation, laying the groundwork for future innovation once the new platform is stable. **Integration** and data **migration** are acknowledged as complex but essential tasks. Capgemini recommends early planning, simplification, and rigorous testing to ensure business continuity and data integrity.

Rollout strategies favor incremental approaches over "big bang" launches, allowing organizations to manage risk and learn from early releases. **Change management** is positioned as a continuous priority, starting from project inception and extending through training, knowledge transfer, and optimization.

In summary, Capgemini's PoV provides a roadmap for executives to navigate the complexity of core insurance transformation. By focusing on early alignment, strategic choices, robust governance, and phased delivery, leaders can manage risk, unlock value, and build a foundation for future innovation and agility.

Why Modernization Can't Wait

Modernization in insurance rarely gets the urgency it deserves. Each year spent maintaining outdated systems deepens technical debt and exposes the business to new threats. The real risk is not just standing still but falling behind."

The urgency for core insurance transformation in the P&C sector has never been greater. From a **business perspective**, insurers are under immense pressure to compete in a rapidly evolving market. Legacy systems slow down time-to-market for new product launches, making it difficult to respond to emerging customer needs or regulatory changes. Manual processes and fragmented systems hinder automation, resulting in operational inefficiencies and higher costs. Most critically, the lack of digital capabilities and poor connectivity between front-end and back-end processes leads to subpar experiences for customers, brokers, and agencies, making it harder to retain and attract business in a digital-first world.

From an **IT perspective**, the challenges are equally pressing. Many insurers still rely on aging mainframes and legacy platforms that are expensive to maintain, difficult to integrate, and increasingly vulnerable to availability issues. The pool of skilled professionals who understand these systems is shrinking, creating bottlenecks and risks for ongoing operations. Integration with modern solutions is often complex and unreliable, further limiting the ability to innovate and scale.

Yet, core **transformation is not without risk**. These are high-stakes initiatives, as well-documented failures in the industry have shown. Most insurance carriers lack deep experience in executing such programs – understandable, given that core system lifecycles typically extend 20 years or more. The scale, complexity, and business impact of replacing a core system means that missteps can have lasting consequences, from operational disruptions to financial losses and reputational damage.

Success in core insurance transformation depends on making **foundational decisions early in the journey**. Leaders must clarify both business and IT objectives, choose the right modernization approach, select vendors and system integrators, and leverage shoring strategies to balance expertise and scale. Establishing robust governance and delivery methods, as well as defining clear guardrails for decision-making, are essential to keep the program on track and aligned with strategic goals.

This report is designed to guide leaders through the major topics and critical decisions that underpin a successful transformation journey, helping them navigate complexity, manage risk, and unlock the full potential of modern core insurance platforms.
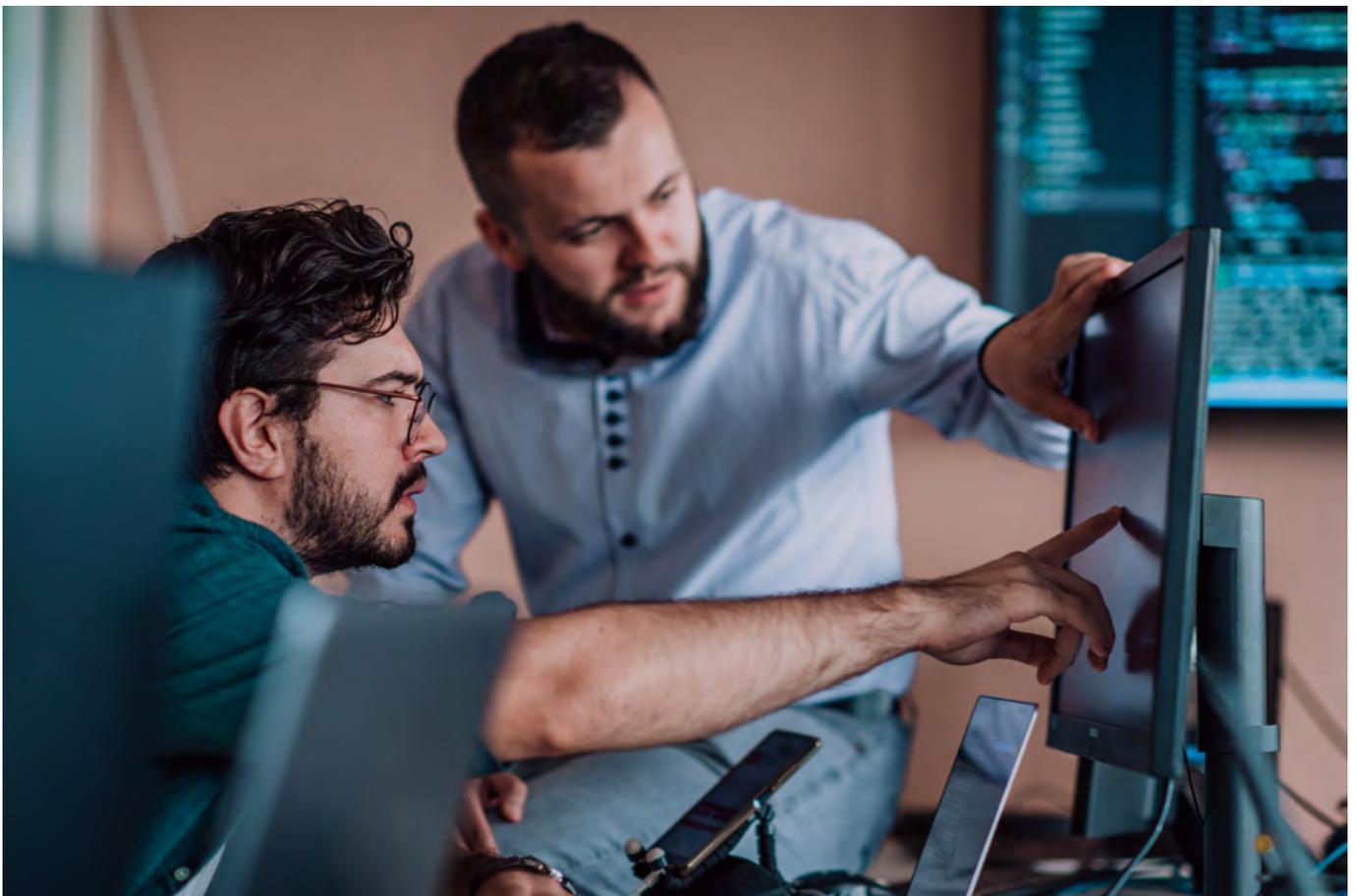
Aligning Business Ambitions with IT Realities

"When business and IT ambitions drift apart, transformation loses momentum. Only a shared vision can cut through years of misalignment and set a clear direction for change."

The Power of a Unified Vision in Core Insurance Transformation

A unified vision is the cornerstone of any successful transformation program in the P&C insurance sector. From Capgemini's extensive experience, we have observed that many transformation initiatives are initially driven by IT departments. Often, these are motivated by the need to decommission legacy mainframes or to address technical debt. While these are valid triggers, they rarely suffice to justify the full business case for a comprehensive transformation.

For a transformation to deliver sustainable value, it must be anchored in a vision that is jointly owned by both business and IT. When business leaders are not actively engaged from the outset, the transformation risks becoming a technology upgrade rather than a true business reinvention. This misalignment can lead to missed opportunities for operational efficiency, customer experience improvements, and new business models – outcomes that are essential in today's rapidly evolving P&C landscape.

Capgemini's Perspective: Lessons from the Field

In our transformation engagements, Capgemini consultants sometimes discover that a unified vision is missing. For example, we may be brought in to accelerate a core modernization program, only to find that the business and IT teams have different priorities or even conflicting objectives. IT may be focused on technical architecture and system performance, while business leaders are more concerned with speed-to-market, regulatory compliance, or customer-centricity.

This disconnect can manifest in several ways:

- **Lack of clear business outcomes:** Without a shared vision, it's difficult to define and measure success.
- **Fragmented decision-making:** Teams may pursue parallel initiatives that are not aligned, leading to inefficiencies and duplicated effort.
- **Weak business case:** If business value is not clearly articulated, it becomes challenging to secure investment and stakeholder buy-in.
- **Change resistance:** Employees may not understand the rationale for change, resulting in low adoption and missed benefits.

A unified vision ensures that transformation is not just about replacing technology, but about enabling new ways of working, serving customers, and competing in the market. It aligns business and IT priorities, clarifies the "why" behind the change, and provides a north star for all stakeholders. This alignment is especially critical in P&C insurance, where evolving customer expectations, regulatory pressures, and emerging risks demand agility and innovation.
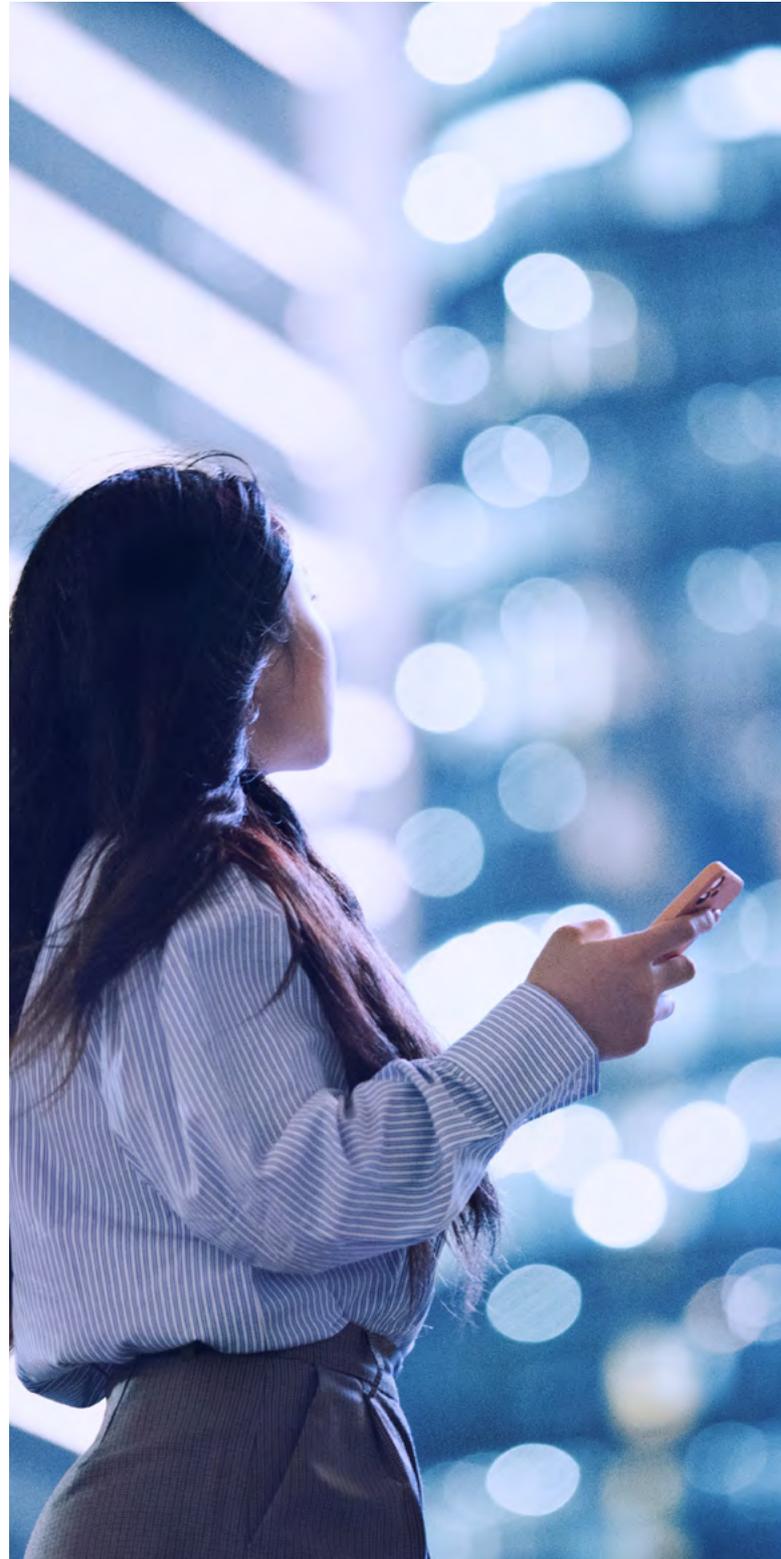
Defining Priorities and Scope: Aligning Business Ambitions and IT Foundations

In our extensive experience at Capgemini, we have encountered a wide variety of business and IT priorities across core insurance transformation projects. Each organization's unique focus – whether it's operational efficiency, growth, or technology renewal – shapes the path and ultimate success of the transformation. Establishing clear priorities from the outset is essential: it enables us to design and deliver solutions that are truly aligned with both business ambitions and IT realities. Below, we outline the most common transformation priorities from both perspectives:

Business Priorities: Driving Value and Growth

- **Process Automation & Efficiency:** Streamlining workflows to reduce manual effort, increase straight-through-processing and cut costs – freeing up teams to focus on higher-value activities.

- **Growth Agenda:** Enabling scalable operations and flexible systems to support expansion into new markets, products, or customer segments.

- **Accelerated Time-to-Market:** Launching new products faster with product-driven architectures, ensuring insurers can respond quickly to market trends and customer needs.

- **Combined Ratio Optimization:** Focusing on both operating costs and loss ratios to maximize profitability – leveraging technology to identify savings and reduce claims leakage.

- **New Distribution Channels & Omnichannel Support:** Supporting innovative models like embedded insurance, white-label offerings, and on-demand products, while delivering seamless experiences across all channels.

- **Third-Party Integration & Digital Ecosystems:** Connecting with partners for claims, prepare for open insurance readiness or more specifically for FIDA, and other services – enabling participation in broader digital platforms and ecosystems.

- **Support for New Products/Lines of Business:** Overcoming legacy system limitations to introduce innovative products and tap into emerging opportunities.

- **Data Quality & Analytical Capabilities:** Leveraging high-quality data for marketing, risk selection, underwriting, and pricing – unlocking advanced analytics for smarter decisions.

- **Customer/Broker Experience & Digital Enablement:** Enhancing satisfaction (CSAT) with intuitive self-service portals, digital tools, and improved broker interactions.

- **Employee Experience:** Empowering underwriters, operations, and claims teams with modern tools and streamlined processes.

- **Support for Disruptive Business & Cultural Transformation:** Enabling agile ways of working and fostering a culture of innovation to stay ahead in a rapidly changing industry.

IT Priorities: Building the Foundation for Transformation

- **Mainframe (or Legacy Platform) Exit:** Phasing out aging systems to reduce risk, cost, and technical debt, paving the way for modern, flexible architectures.

- **Application Landscape Consolidation:** Simplifying and rationalizing the IT environment to reduce complexity and improve maintainability.

- **Readiness for New Technologies:** Preparing for cloud, Gen AI and digital innovations that drive agility and competitive advantage.

- **IT Cost Reduction:** Balancing the need to control costs against providing business value, especially with mainframe operations getting more and more expensive

- **Regulatory, Compliance & Security:** Ensuring systems and processes meet evolving regulatory requirements (e.g. DORA, VAIT and EU AI Act) and are resilient against security threats.

- **IT Skill & Talent Shortages:** Addressing bottlenecks caused by scarce legacy skills and over-reliance on freelance or corporate contractors.

- **Modern IT Operating Model:** Shifting towards Agile and DevOps practices, focusing on core competencies and closer business-IT alignment.

- **Digital Enablement & Connectivity:** Building robust APIs and integration layers to support digital business models and ecosystem participation.

- **Future-Proof Tech Stack:** Investing in containers, build pipelines, and CI/CD to enable rapid, reliable delivery and adaptability.

These priorities often overlap and reinforce each other. Successful transformation programs recognize the need to balance business ambitions with IT realities, ensuring that modernization delivers tangible value across the organization.

With the business and IT priorities in mind, clearly defining the scope of a transformation program is essential: A well-defined scope ensures that teams

dedicate their time, budget, and talent to the areas that truly matter, preventing wasted effort on non-priority domains or unnecessary features. This clarity not only allows organizations to set concrete goals and track progress, but also makes it possible to measure success and keep stakeholders aligned throughout the transformation journey. By establishing the scope upfront, organizations can effectively manage expectations and reduce the risks and complexities that often arise from ambiguous or shifting objectives, helping to avoid confusion, rework, and costly scope creep.

To set the right boundaries, it's useful to define the scope along several key dimensions:

- **Domains:** Which business and technical areas are included? (e.g., Policy, Claims, Billing, Underwriting, Sales, Digital, Workflow, Partner, Input, Output, Data Warehouse, etc.)

- **Customer Segments:** Which customer groups are in focus? (e.g., Private, Commercial)

- **Lines of Insurance:** Which products or lines of business are impacted? (e.g., Motor, Property, Liability, etc.)

- **Sales Channels:** Which distribution channels are in scope? (e.g., Direct, Broker, Embedded, White Label, Online, etc.)

By thoughtfully defining the scope across these dimensions, organizations can ensure their transformation program is targeted, manageable, and set up for success.

Establishing Program Guardrails: Principles for Decisive and Value-Driven Transformation

Establishing clear program guardrails is essential for keeping a core insurance transformation on track and focused on outcomes that matter. Guardrails act as guiding principles (much like the Agile Manifesto's values) helping teams make the right trade-offs when faced with tough decisions.

For example, prioritizing **business transformation over technical like-for-like replacement** ensures that the program delivers real business value, not just a modernized version of yesterday's processes. Choosing **out-of-the-box (OOTB) solutions over heavy customization** helps maintain upgrade readiness and reduces long-term technical debt, even if it means adapting some business processes to fit standard software. Emphasizing **progress over process** encourages teams to deliver incremental value, rather than getting bogged down in bureaucracy. Focusing on **end-to-end (E2E) viability over local optimizations** ensures that improvements benefit the whole organization, not just individual departments. Promoting **cross-team collaboration over silo mentality** breaks down barriers and fosters innovation, while valuing **learning and adaptation over big-upfront-design** allows the program to respond to new insights and changing market conditions.

Clearly defining guardrails like these provide clarity, empower teams to act decisively, and help avoid common pitfalls that can derail even the most well-intentioned transformation efforts.

Make, Buy, or Replatform?

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Insurers have debated the right modernization path for years, but indecision only breeds uncertainty. The fastest route to results is choosing a proven path and committing to it—hesitation only multiplies risk."

Why Packaged Solutions Dominate the P&C Insurance Market

When it comes to modernizing legacy systems, P&C insurers today have a broad spectrum of options. These range from replacing core systems with commercial off-the-shelf (COTS) packages, assembling a best-of-breed combination of specialized solutions, developing custom platforms, or replatforming existing systems through lift-and-shift approaches. Each pathway offers distinct advantages and challenges, and the right choice depends on a carrier's business priorities, technical landscape, and appetite for change.

However, a clear trend has emerged in the market: the overwhelming majority of P&C insurance carriers now opt for packaged insurance suites as the foundation for their core transformation. This shift is driven by several factors. First, legacy platforms, often mainframe-based, are expensive to maintain, inflexible, and increasingly difficult to support due to talent shortages and the growing complexity of regulatory and customer demands. Modern insurance suite platforms, by contrast, offer agility, scalability, and the ability to rapidly launch new products and services, all while providing ready-made integrations between core modules (like policy, claims, billing etc.), reducing operational costs and technical debt.

Second, the ecosystem of core insurance packages and system integrators has matured significantly in recent years. Vendors have learned from early transformation projects, refining their offerings to better address the unique needs of P&C insurers. System integrators, too, have developed robust methodologies and accelerators to streamline implementation, manage risk, and ensure

business continuity throughout the transformation journey.

While alternative approaches, such as best-of-breed architecture or custom development, remain viable for certain insurers with highly specialized needs, the market's momentum is unmistakable. For most carriers, packaged suite solutions represent the fastest, most reliable route to modernization, enabling them to focus on differentiation, customer experience, and growth rather than reinventing the technology wheel.

Choosing Wisely: Strategic Criteria for Selecting Core Insurance Packages

Selecting a core insurance packaged solution is one of the most consequential decisions a P&C insurer will make – its impact will be felt for decades, given the typical lifecycle of 20 years or more. The stakes are high: while packaged solutions (COTS) promise accelerated modernization and industry best practices, the market is highly fragmented, with a multitude of vendors and system integrators. Not all implementations succeed; there are well-documented cases of failed rollouts, and the landscape is constantly shifting as vendors consolidate, divest, or withdraw from the market. This volatility introduces real risks that must be carefully managed.

Because of these long-term implications, the selection process should be guided by strategic criteria, not just the current feature set. Insurers should look for vendors with robust R&D resources, proven support for multiline and multi-jurisdiction operations, a strong partner ecosystem, and an active user community. Other critical factors include a vibrant app marketplace, a wealth of prebuilt adapters to established industry
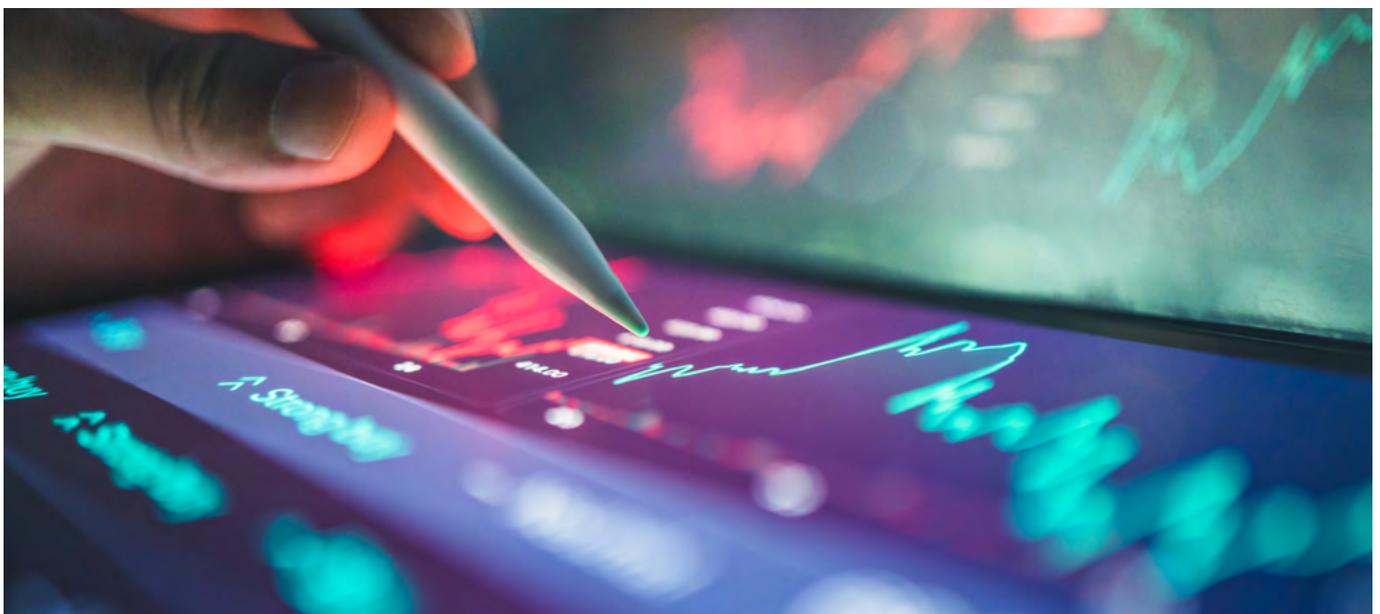
and AI platform solutions, a transparent product upgrade process, a clear roadmap with mechanisms for carrier influence, and efficient customization capabilities. These elements help ensure that the chosen solution will remain viable, adaptable, and well-supported as the business evolves.

It's also important to recognize that no packaged solution will match the full breadth and depth of a client's legacy application, which has often been fine-tuned over many years to fit unique business processes. Expecting a one-to-one replacement is unrealistic; instead, transformation should be seen as an opportunity to standardize, simplify, and adopt industry best practices, while retaining only those customizations that truly differentiate the business.

Finally, vendor lock-in is a legitimate concern. To mitigate this risk, insurers should prioritize solutions with open architectures, strong API support, and clear data ownership provisions. Negotiating contractual safeguards, maintaining robust documentation, and investing in internal capabilities to manage and extend the platform can further reduce dependency on any single vendor. By taking a strategic, forward-looking approach, insurers can maximize the value of their core transformation and position themselves for long-term success.

Moving Beyond On-Premises Limitations with a Cloud-First Approach

As insurance carriers plan their core transformation journeys, one of the most consequential decisions is whether to leverage Cloud-based or Software-as-a-Service (SaaS) solutions, or to continue with on-premises, self-managed platforms. The industry trend is clear: Cloud and SaaS models are rapidly becoming the standard for modern insurance platforms, and for good reasons.

Cloud and SaaS solutions offer compelling long-term advantages. They provide unmatched scalability, allowing insurers to flexibly adjust resources as business needs evolve, without the capital expense and operational burden of maintaining physical infrastructure. These platforms enable rapid deployment of new features and regulatory updates, ensuring that insurers remain agile and compliant in a fast-changing environment. Security and resilience are also enhanced, as leading Cloud providers invest heavily in state-of-the-art protections, disaster recovery, and continuous monitoring – capabilities that are difficult and costly to replicate in-house. Furthermore, Cloud and SaaS models foster innovation by making it easier to integrate with digital ecosystems, leverage advanced analytics, and adopt emerging technologies such as AI and machine learning.

In contrast, **on-premises, self-managed solutions** often lock insurers into rigid, resource-intensive environments. Upgrades and maintenance cycles are slow and disruptive, and the need to retain specialized IT talent for technical infrastructure and networking becomes an increasing liability as the workforce ages. The total cost of ownership for on-premises solutions typically rises over time, as hardware ages and security requirements intensify. Most critically, on-premises models can become a barrier to business agility, making it harder to respond to market shifts, regulatory changes, or customer expectations.

Despite these advantages, insurance carriers often raise legitimate **concerns about Cloud and SaaS** adoption. Data sovereignty and regulatory compliance are top of mind, especially in jurisdictions with strict requirements on where and how customer data is stored. Some carriers worry about vendor lock-in, fearing loss of control over their core systems and data. Others are concerned about integration complexity and performance with existing legacy systems, or about the perceived risks of multi-tenant environments.

These **concerns can be addressed** through careful planning and vendor selection. Leading Cloud and SaaS providers now offer robust compliance frameworks, including data residency options and certifications that meet or exceed regulatory standards in most markets. To address sovereignty concerns, some insurers consider local or regional cloud providers as viable alternatives to global hyperscalers, as these can offer solutions that align more closely with national data residency and compliance requirements.

Insurers can mitigate vendor lock-in by prioritizing platforms with open architectures, strong API support, and clear contractual provisions for data portability and exit strategies. Integration challenges are best managed by adopting modular, API-first approaches and by engaging experienced system integrators who understand both legacy and Cloud environments.

Ultimately, the long-term superiority of Cloud and SaaS solutions lies in their ability to future-proof the insurance business. They empower carriers to innovate, scale, and adapt at the pace of the market, while reducing operational risk and cost. Therefore, even for those insurance carriers who initially choose to begin their transformation journey with on-premises environments, there is a clear trend toward ensuring **cloud-readiness from the outset**. This is often achieved by adopting container-based pipelines and runtimes, which provide the flexibility to migrate to the Cloud when the organization is ready, and help avoid future technical debt or rework.

Building the Dream Team:
Talent, Partners, and Shoring Strategies

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Transformation demands skills and perspectives beyond the status quo. Organizations that tap into external expertise accelerate progress and sidestep common pitfalls."

Recognizing Team Limitations: Why External Expertise Is Essential for Transformation Success

In many core insurance transformation projects, we encounter client teams whose strengths lie in **maintaining existing systems rather than driving large-scale change**. Their method-skills are often tailored to the routines of day-to-day maintenance and incremental enhancements – typically on custom, in-house solutions built atop legacy technologies. This background, while invaluable for stability, rarely prepares teams for the complexities of implementing modern packaged solutions or orchestrating enterprise-wide transformation.

Capacity constraints further complicate the situation. Experienced business analysts, testers, product owners, policy & claims experts and project managers are often in short supply, stretched thin by ongoing operational demands. The few available resources may be deeply knowledgeable about the current environment but lack exposure to the latest industry practices or the unique challenges of large-scale transformation.

Moreover, many team members have gained their **experience exclusively through in-house initiatives**. Without the benefit of lessons learned from other major transformations in the market, there's a real risk of repeating common mistakes – such as underestimating the scope of change, overlooking integration challenges, or misjudging the effort required for business readiness.

Given these realities, it's no surprise that **many insurers turn to external partners** like software vendors and system integrators for project support. These partners bring specialized expertise, proven methodologies, and a fresh perspective, helping to bridge skill gaps, accelerate delivery, and avoid pitfalls. By augmenting internal teams with external talent, organizations can set the stage for a smoother, more successful transformation journey.

Beyond Technology: The System Integrator as a Transformation Partner

Selecting the right system integrator is pivotal to the success of any core insurance transformation. Their role extends far beyond technical implementation – they should be true partners in re-engineering business processes to fully leverage the capabilities of the chosen packaged solution. The best system integrators help insurers maximize value by aligning new technology with business objectives, ensuring that transformation is not just a technical upgrade, but a catalyst for operational excellence and innovation.
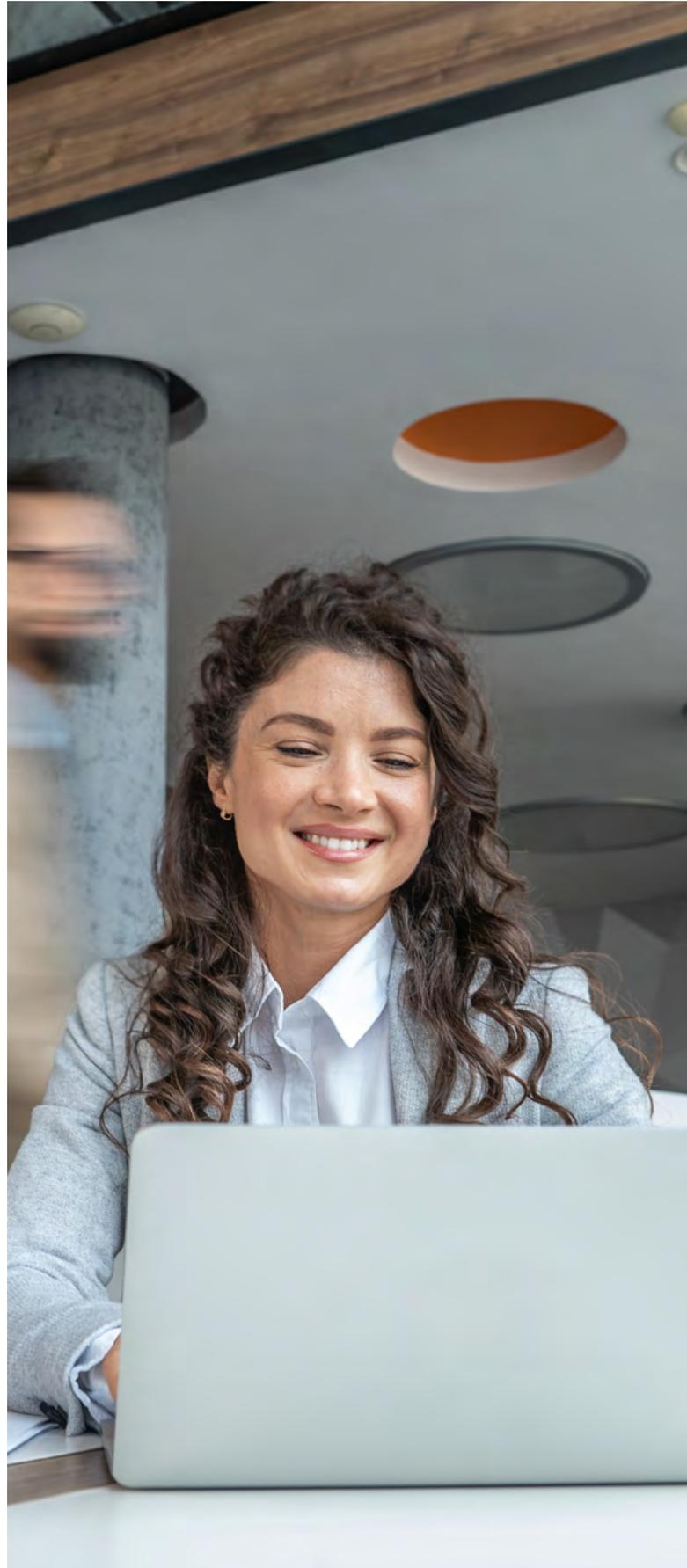
A top-tier system integrator brings **deep industry knowledge** and **firsthand experience with large-scale core insurance transformations**. This expertise should be embodied in a balanced team: seasoned experts who contribute proven best practices from previous projects, and innovators who are eager to introduce fresh ideas and technologies, even those inspired by industries outside of insurance. This blend of experience and creativity helps clients avoid common pitfalls while unlocking new opportunities for differentiation.

Crucially, the system integrator must be **intimately familiar with the selected COTS** solution, yet remain independent and act in the client's best interest – not merely as an extension of the software vendor. This means providing objective advice, challenging assumptions, and advocating for solutions that serve the insurer's long-term goals.

Additional qualities to seek include strong change management capabilities, a collaborative mindset that fosters cross-team alignment, and a commitment to knowledge transfer so that internal teams are empowered for ongoing success. The right system integrator becomes a trusted advisor – guiding the organization through complexity, accelerating delivery, and ensuring that transformation delivers sustainable business value.

Smart Shoring for Core Transformation: Balancing Expertise, Scale, and Efficiency

In large-scale core insurance transformations, assembling the right team often requires looking beyond local talent pools. Shoring – whether nearshore, offshore, or hybrid – has become a strategic lever for insurers seeking to balance **expertise, scalability**, and **cost efficiency**.

Local teams typically bring deep domain knowledge, regulatory familiarity, and proximity to business stakeholders. Their involvement is crucial for capturing requirements, architecting the solution, managing change, and ensuring alignment with strategic goals. However, transformation programs also demand significant capacity in areas like development, testing, data migration, and configuration – roles that can be effectively supported by distributed teams across global delivery centers.

The benefits of shoring are clear: access to specialized skills, faster ramp-up, and optimized cost structures. It enables insurers to scale their transformation programs without overburdening internal resources, while also introducing fresh perspectives and delivery discipline.

There are two primary shoring models to consider: **nearshore** and **offshore**. Nearshore teams operate in neighboring or nearby countries, often within similar time zones and cultural contexts. This proximity facilitates real-time collaboration, smoother communication, and easier travel for joint workshops or agile ceremonies. Offshore teams, typically located in more distant regions, offer greater cost advantages and access to large talent pools, but may require more structured coordination due to time zone and cultural differences. A hybrid model – combining both onsite and shored resources – is often the most effective, allowing insurers to optimize for both proximity and scale.

That said, shoring comes with its own set of challenges. **Language barriers, time zone differences**, and **cultural nuances** can impact communication and collaboration. These risks can be mitigated through thoughtful team design, overlapping working hours, cultural onboarding, and the use of collaborative tools that promote transparency and real-time engagement. Clear governance, structured workflows, and strong leadership are essential to ensure that distributed teams operate as a cohesive unit.

Ultimately, successful shoring is not just about cost – it's about strategic delivery. When implemented thoughtfully, it allows insurers to tap into global talent, accelerate timelines, and maintain quality, all while staying focused on the transformation's business outcomes.

Working Models in Transformation: Finding the Right Balance Between Remote, Onsite, and Hybrid

The way transformation teams work – whether remotely, onsite, or in a hybrid setup – can significantly influence the success of a core insurance modernization program. Each model offers distinct advantages and challenges, and the optimal choice often depends on the nature of the work, the team composition, and the degree of shoring involved.

Remote work offers flexibility, cost efficiency, and access to a broader talent pool. It's particularly effective for development, testing, and documentation tasks, especially when supported by mature collaboration tools and structured workflows. However, remote setups can sometimes hinder spontaneous collaboration, slow decision-making, and create barriers to stakeholder engagement—especially in the early phases of transformation when alignment and shared understanding are critical.

Onsite work, on the other hand, fosters high-touch collaboration, faster feedback loops, and stronger relationships between business and IT stakeholders. It's ideal for workshops, process reengineering, and change management activities. Yet, onsite models can be costly and difficult to scale, particularly when transformation programs span multiple geographies or involve shoring components.

That's why many insurers opt for a **hybrid working model**, which blends the strengths of both approaches. In this setup, key roles – such as product owners, business analysts, and transformation leads – are colocated with client stakeholders to drive alignment and decision-making. Meanwhile, distributed teams handle execution tasks remotely, supported by structured governance, overlapping working hours, and collaborative platforms.

To strengthen hybrid collaboration, many clients organize **onsite events** for significant rituals of the transformation. For example, big-room planning sessions – where onshore and nearshore team members gather physically – are used to align on priorities, dependencies, and delivery goals. These events foster trust, build team spirit, and create shared ownership. Similarly, **early-phase onsite kickoffs** are often used to establish working relationships, clarify roles, and set the tone for collaboration across locations.

When shoring is part of the delivery model, hybrid work becomes even more valuable. It allows for local engagement where needed, while leveraging global delivery centers for scale and efficiency. To make this work, organizations must invest in clear communication protocols, cultural onboarding, and leadership practices that foster trust and cohesion across locations.

In sum, the goal is not to choose between remote or onsite, but to design a working model that supports agility, transparency, and sustained momentum, tailored to the unique demands of the transformation program.

Orchestrating Transformation:

Agile Governance in the Age of GenAI

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Weak governance lets issues fester and priorities drift. Strong oversight and transparent processes keep programs aligned and responsive to change."

Governance That Guides: Steering Transformation from Vision to Delivery

Effective governance is the backbone of any successful transformation program. In large-scale core insurance replacements, the stakes are high: multiple teams, complex dependencies, and significant business impact. Without strong governance, even the best strategies can falter, leading to misalignment, delays, and missed opportunities.

Governance in transformation programs operates across three distinct layers. At the strategic level, the steering committee sets the overall direction, ensures executive sponsorship, and makes critical decisions on scope, investment, and priorities. This group is responsible for keeping the program aligned with business objectives and for resolving escalated risks or issues.

The tactical layer is where operational project management and design authority come into play. Here, program managers coordinate workstreams, manage timelines and budgets, and oversee risk and issue management. The design authority ensures that solution architecture and business processes remain consistent with the program's vision, making decisions on standards, integration patterns, and change requests.

At the operational level, delivery teams execute the day-to-day work. These teams are responsible for building, configuring, and testing the new core system, integrating surrounding applications, migrating data, and ensuring quality at every step. Their work is guided by the tactical layer and supported by clear escalation paths.

Core transformation programs typically organize work into several major workstreams. The core system implementation workstream focuses on the heart of the platform like policy administration, product configuration, and/or claims management. The integration workstream connects the core system to critical surrounding functions, such as party management, data warehouse, input and output management, and finance. The data migration workstream handles the complex task of moving legacy data into the new platform, ensuring accuracy and continuity. The Test & QA workstream is responsible for validating functionality, performance, and compliance, using rigorous test plans and automation.

In addition to these delivery-focused streams, several crosscutting functions are essential for program success. The Project Management Office (PMO) provides oversight, reporting, and coordination across all streams. Change Management ensures that stakeholders are engaged, trained, and ready for new ways of working. Architectural Governance maintains alignment with enterprise standards and future-proof design. Platform teams manage tooling, environments, and cloud infrastructure, enabling secure and scalable delivery.

Equally important is regulatory & compliance expertise (e.g. DORA, VAIT and EU AI Act), which ensures that all program activities, system designs, and data migrations meet legal and industry requirements, helping to safeguard the organization against regulatory risks and audit findings.

Strong governance brings clarity, accountability, and agility to transformation programs. It enables teams to navigate complexity, adapt to change, and deliver value—especially when supported by agile and hybrid delivery approaches and the accelerating power of GenAI.

Milestones That Matter: The Phased Journey of Core System Replacement

A phased approach is essential for large transformation programs, especially in core insurance replacements, because it brings structure, transparency, and risk control to what is inherently a complex and high-stakes journey. By breaking the program into clear, manageable phases, organizations can focus resources, measure progress, and adapt to change without losing sight of the overall vision. Phasing also enables early identification of challenges, more effective stakeholder engagement, and the ability to deliver incremental value rather than waiting for a single "big bang" moment.

A typical core transformation release cycle unfolds in several well-defined phases:

Inception is where the foundation is laid. During this phase, the program team defines scope, gathers high-level requirements, builds the initial backlog, and conducts estimation and planning. Key activities include initial stakeholder and end-user trainings, as well as setting up essential tooling and environments. This phase is critical for aligning expectations and ensuring everyone is working toward the same goals.

Development is where the solution takes shape. Requirements are refined, the core system is built and configured, integrations are developed, and data migration approaches are designed and prototyped. Initial testing begins here, validating that the solution is on track and that integration points function as intended.

Stabilization is all about readiness for production. This phase includes user acceptance testing (UAT),

end-to-end integration testing, performance and security testing, and migration dry runs. Teams prepare for cutover, finalize the production environment, and deliver comprehensive end-user training. The goal is to ensure that the system is robust, secure, and ready for real-world use.

Launch marks the go-live event, which may or may not include the migration of existing data. Some organizations choose to start production with new business only, migrating legacy policies in subsequent waves to reduce risk and complexity.

Hypercare follows immediately after launch, providing high-intensity production support. During this period, dedicated teams monitor the system closely, resolve issues rapidly, and ensure business continuity as users adapt to the new platform.

Transition is the final phase, where responsibility is handed over to steady-state operations and maintenance teams. Continuous improvement processes are established, and the organization shifts from project mode to ongoing optimization and support.

A typical timeline for such a program might look like this:

- Inception: ~3 months

- First release: 12–18 months, (including Development, Stabilization, Launch and depending on scope and complexity).

This phased approach provides the structure and flexibility needed to manage risk, deliver value, and adapt to the inevitable surprises that come with large-scale transformation.

Agility at Scale: Navigating Dependencies in Core Transformation

Scaled agile frameworks have matured significantly in recent years and are now a proven foundation for delivering large-scale core insurance transformations. When balanced with strong overarching governance, these frameworks provide the structure and discipline needed for complex programs, while still enabling the flexibility that long, multi-year initiatives demand.

One of the greatest strengths of scaled agile approaches is their ability to **manage dependencies** across multiple teams and workstreams. In core transformations, where policy, claims, integration, migration, and testing must all move forward in concert, agile frameworks introduce joint rituals (such as big-room planning, system demos, and cross-team retrospectives) that bring everyone together at

regular intervals. These shared ceremonies, along with standardized artifacts like program increment plans and dependency boards, create transparency and alignment across the entire program.

This collaborative rhythm is especially valuable in transformation programs that span 12–18 months or more. Over such a long timeline, business priorities, regulatory requirements, and technical realities inevitably shift. Scaled agile frameworks are designed to **accommodate this change**: they encourage teams to plan in increments, revisit priorities frequently, and adapt their backlogs as new information emerges. This means that instead of being locked into a rigid, big-upfront plan, the program can respond dynamically, delivering value early and often, while still keeping the end goal in sight.

While scaled agile frameworks bring tremendous benefits to core transformation programs, it's important to recognize a **common challenge**: the agile rhythm of the transformation often isn't matched by the surrounding systems. Many legacy or peripheral applications (such as finance, data warehouse, or partner systems) may still operate on traditional maintenance timelines, with fixed release cycles and less flexibility. This can lead to conflicting schedules, especially when the core program depends on these systems to co-deliver APIs, interfaces, or other critical dependencies. As a result, even the most agile core team may face bottlenecks or delays if external teams are not able to align their deliverables with the transformation's cadence. Proactive coordination, early engagement of external stakeholders, and clear dependency management become essential to bridge these gaps and keep the overall program on track.

Ultimately, scaled agile approaches, **tailored** to the specific needs and constraints of the insurance carrier, help transformation teams break down silos, manage complexity, and maintain momentum—even as the landscape evolves. When paired with robust governance, they provide the best of both worlds: disciplined delivery and the agility to adapt, ensuring that core insurance transformations stay on track and deliver lasting business value.

Accelerating Transformation: How GenAI Is Redefining Project Delivery

GenAI has rapidly become a game-changer in large transformation programs, with capabilities and maturity advancing at a remarkable pace. What started as a promising technology for code generation has quickly evolved into a multi-disciplinary accelerator,

reshaping how insurers and system integrators approach delivery across the entire project lifecycle.

Today, GenAI's impact extends **far beyond software development**. Project teams are leveraging AI-powered tools for business analysis, requirements management, testing, documentation, and even integration design. GenAI can draft user stories, generate test cases, automate documentation, and suggest integration patterns, dramatically improving both productivity and quality. This breadth of application means that nearly every discipline in a transformation program can benefit, from architects and analysts to testers and developers.

To unlock the full potential of GenAI, it's essential to **feed foundational large language models (LLMs) with context** like deep insurance know-how, project-specific context, and detailed documentation. Approaches like Retrieval-Augmented Generation (RAG) allow teams to enrich GenAI with to-be business process documentation, requirements, and COTS solution details, ensuring that outputs are relevant, accurate, and tailored to the unique needs of the program.

The productivity gains are especially pronounced for junior staff, who can use GenAI as a real-time mentor and quality booster. However, the **human-in-the-loop principle** remains critical: experienced team members must review, validate, and refine GenAI-generated deliverables to ensure compliance, accuracy, and business fit.

System integrators and insurance carriers are already deploying GenAI tooling and accelerators built on foundational models, enriched with solution documentation, data models, and project requirements. These tools are helping teams move faster, reduce errors, and focus on higher-value activities, transforming the way large-scale programs are delivered.

In summary, GenAI is not just a technical innovation; it's a strategic enabler for modern transformation programs. By integrating AI into every phase of delivery, organizations can boost performance, adapt to change, and set a new standard for what's possible in core insurance transformation.

Simplify to Amplify:

Product and Process Alignment in Core Transformation

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Complexity grows when simplification is postponed for future phases. Standardizing now lays the groundwork for innovation and agility later."

Building the Foundation for Future Agility

In core insurance transformation programs, aligning products and processes is not just a technical necessity, it's a strategic imperative. These two domains form the operational core of any insurer's business model, and how they are handled during transformation has a direct impact on speed, cost, and long-term flexibility.

From a business perspective, both product design and process execution are critical levers for differentiation and efficiency. However, in practice, most insurers choose not to innovate their foundational business model during the transformation itself. Instead, they focus on simplification and standardization, laying the groundwork for future innovation once the new core platform is stable and scalable.

This pragmatic approach allows insurers to reduce complexity, accelerate delivery, and minimize risk. It also aligns with the capabilities of modern core systems, which are typically designed around industry-standard processes and product structures. By adapting to these out-of-the-box (OOTB) capabilities, insurers can benefit from faster implementation, easier upgrades, and lower total cost of ownership, while preserving the option to innovate later.

Product Perspective: Simplify Now, Differentiate Later

When it comes to insurance products, legacy systems often support highly customized offerings that have evolved over decades. These products may include bespoke features, niche coverages, or complex rating structures that are deeply embedded in the existing IT landscape.

During transformation, attempting to replicate this complexity in a new system can be costly, time-consuming, and counterproductive. Most insurers therefore choose to rationalize their product portfolio: retiring outdated offerings, consolidating similar products, and aligning with the standard product models supported by the new core platform.

This doesn't mean giving up on innovation. On the contrary, by simplifying the product landscape during transformation, insurers create the space and agility to launch new, differentiated products once the foundation is in place. The goal is to enable innovation, not to deliver it all at once.

Consequently, leading insurers follow a staged, risk-averse approach that delivers incremental business value while laying the groundwork for future innovation:

Phase 1 focuses on replicating existing products as closely as possible in the new core system. This minimizes risk and complexity, improves user acceptance, and enables a faster go-live. By ensuring that business users and customers see familiar products and processes, the organization can stabilize operations and build confidence in the new platform.

Once the system is stable, **Phase 2** begins: evolving products and processes to take advantage of the flexibility, capabilities, and adaptability of the modern core solution. Insurers can streamline offerings, automate workflows, and introduce enhancements that were previously impossible or impractical. This phase unlocks efficiency gains and sets the stage for more ambitious changes.

Finally, in **Phase 3**, insurers are ready to launch new, innovative products, integrate additional distribution channels, and address new customer segments. With a robust, agile platform in place, the organization can fuel growth and profitability by responding quickly to market opportunities and customer needs.

This phased approach allows insurers to manage risk, deliver value early, and build momentum for ongoing transformation. By simplifying first and differentiating later, organizations create a stable foundation for innovation, ensuring that their core system replacement is not just a technical upgrade, but a catalyst for long-term business success.

While many insurers focus on replicating existing products in Phase 1 to minimize risk, some also choose to **introduce a new product** (such as cyber insurance) during this initial rollout. This approach can showcase the capabilities of the new platform and deliver early business value, but it requires careful planning and strong alignment between business and IT to avoid adding unnecessary complexity to the go-live.

Whatever product you choose for a first release, a key enabler of future agility is the adoption of a **product-driven architecture**. In this model, a centralized product engine defines and governs the structure, rules, and behavior of insurance products across the entire value chain. This includes not only policy administration, but also upstream functions like sales and underwriting, and downstream systems such as claims and billing. By decoupling product logic from individual applications and managing it centrally, insurers can dramatically reduce time-to-market for new products and product versions. Moreover, this architecture supports consistent behavior across channels and systems, simplifies integration, and enhances maintainability. For many insurers, establishing such an end-to-end product-driven

architecture is a cornerstone of their target operating model.

In summary, the transformation phase is not the time to reinvent the product portfolio, but it is the time to lay the groundwork for a more agile, scalable, and innovation-ready product architecture.

Process Perspective: Adapting to Out-of-the-Box Capabilities

Business processes such as underwriting, policy administration, claims handling, and billing are at the heart of insurance operations. Over time, these processes often become deeply intertwined with legacy systems, customized workflows, and manual workarounds. Modern core platforms, however, are built around standardized, best-practice processes that are designed for automation, scalability, and compliance.

During transformation, successful insurers **resist the urge to replicate legacy processes** and instead adapt their operations to **align with the out-of-the-box (OOTB) capabilities** of the new core system. This approach reduces implementation effort, improves maintainability, and ensures upgrade readiness. It also encourages simplification and standardization, two key enablers of long-term agility.

This approach starts well before implementation. To truly benefit from OOTB compliance, it is essential to select a packaged solution that closely matches your business model, objectives, lines of business, jurisdictions, and distribution channels. The closer the fit, the fewer deviations will be needed, and the more value you can unlock from industry-standard processes and automation.

During implementation, OOTB compliance must be actively managed. Establishing a rigid change board is critical. Every request to deviate from OOTB-supported processes should be challenged and justified. This discipline helps prevent unnecessary customization, keeps technical debt in check, and maintains the integrity and upgradeability of the new platform.

Finally, the journey doesn't end at go-live. Plan for an **optimization phase** after launch, leveraging real production experience to refine and improve processes based on actual KPIs and transaction volumes. This allows the organization to make data-driven adjustments, further streamline operations, and maximize the benefits of the new core system

Also, aligning with OOTB capabilities doesn't mean narrowing the focus to just the core system. It's essential to view processes from an **end-to-end**

(E2E) perspective, spanning the entire value chain from customer onboarding and quote generation to claims settlement and renewal. Many critical process steps occur outside the core platform, in systems such as digital frontends, input management, party, and document management. Ignoring these touchpoints can lead to fragmented experiences and missed automation opportunities.

For example, to fully automate new business in policy or first-notice-of-loss in claims, insurers may need to enhance their input management systems to extract new data attributes from inbound documents or enhance interfaces off agent portals. On the other hand, some capabilities – such as workflow task lists or party management – may now be natively supported by the new core solution, rendering existing tools redundant.

This shift requires a **holistic view of the application landscape** and a willingness to **reassign responsibilities** across systems. It also demands close collaboration between business and IT to ensure that process changes are not only technically feasible but also operationally sound.

In summary, adapting to OOTB capabilities is not just about simplifying the core, it's about reimagining the entire process ecosystem to support a modern, integrated, and scalable insurance operation.

Integration and Data Migration:

Making the Backbone Work

> Integration and migration are often underestimated until they threaten delivery. Prioritizing these streams from the outset ensures stability and business continuity."

Untangling the Legacy Web

In core insurance transformation programs, few areas demand as much effort and precision as system integration and data migration. These are not just technical tasks, they are foundational to ensuring business continuity, data integrity, and the success of the entire transformation.

One of the most persistent challenges is the age and complexity of insurance data. In many carriers, data structures in certain lines of business predate even the legacy systems that manage them. Policies and customer records may have been migrated across multiple platforms over decades, resulting in fragmented data, inconsistent formats, and incomplete documentation. This historical layering often leads to low data quality, unclear ownership, and limited transparency in how data flows between systems.

Legacy systems themselves add another layer of complexity. Data may reside in outdated technologies such as IMS databases, flat files, or proprietary formats. Interfaces are often built on copybooks, tightly coupled to mainframe logic, and difficult to adapt or extend. These technical constraints make it challenging to extract, transform, and load data into modern platforms, especially when the goal is to enable real-time integration and analytics as opposed to old-school batch interfaces with a daily or even monthly schedule.

Compounding the issue is the limited availability of knowledgeable personnel. Maintenance teams who understand the legacy data stores and interfaces are typically fully occupied with day-to-day operations. Their capacity to support transformation efforts is constrained, and in some cases, critical knowledge may be undocumented or siloed.

This legacy reality stands in stark contrast to the ambitions of modern core transformations, which aim to enable process automation, real-time data flows, and advanced analytical use cases – including AI-driven insights. Modern COTS platforms typically feature more advanced and granular data models, with stricter validation rules and richer metadata structures. They are designed to support end-to-end business processes and seamless integration across the insurance value chain.

To bridge the gap between legacy data and modern platform requirements, insurers must adopt new integration strategies and creative migration approaches. This includes rethinking how core data (such as policies, claims, and customer records) is extracted, cleansed, enriched, and mapped into the target system. It also requires careful orchestration of surrounding systems, ensuring that input management, party management, and output generation are aligned with the new data architecture.

As a result, integration and migration are consistently among the most resource-intensive and risk-prone aspects of core system replacement initiatives. They require careful planning, robust tooling, and close collaboration between business and IT. This chapter explores how insurers can tackle these challenges head-on—designing integration architectures that support end-to-end process flows, and executing data migrations that preserve integrity while enabling future flexibility.

Solving the Integration Puzzle: How to Overcome Complexity in Modern Insurance Platforms

So, integration in core insurance replacements is rarely straightforward. The sheer diversity of legacy systems, the historical layering of data, and the need to connect new digital channels with established business processes all contribute to a landscape that can feel more like a tangled puzzle than a clean blueprint. Yet, the complexity is not insurmountable, if tackled with the right mindset and approach.

The first step is to recognize that not every legacy process or product nuance deserves to be carried forward. Insurers who succeed in integration are those who embrace simplification early: they standardize products and data models wherever possible, aligning closely with the out-of-the-box capabilities of their new core systems. This discipline minimizes custom development and makes future upgrades far less painful. It's a strategic choice that pays off in both the short and long term.

But simplification alone isn't enough. Integration must be designed with the end-to-end business process in mind. Rather than connecting systems in isolation, leading insurers map how data and workflows traverse the entire value chain, from digital frontends and agent portals to policy administration, billing, and claims. This holistic view ensures that integration supports real business outcomes, such as straight-through processing and real-time customer service, instead of just replicating yesterday's batch jobs.

Modern core platforms offer powerful tools for this journey, especially through API-first architectures. By building modular, reusable integration points, insurers gain the flexibility to connect with new partners, channels, and digital services as their business evolves. This modularity is essential for keeping pace with market change and for participating in broader digital ecosystems.

Finally, solving the integration puzzle is as much about people as it is about technology. The best results come when business and IT work side by side, co-designing integrations that serve real business needs. Open communication, shared ownership, and a willingness to challenge old assumptions are what transform integration from a source of risk into a foundation for agility and growth.

In the end, integration in core insurance transformation will always be challenging. But by focusing on simplification, end-to-end value, modular design, and data quality, insurers can turn complexity into clarity and build a platform ready for whatever future connectivity will be required.

Migration Without Mayhem: Solving Complexity Before It Starts

Migration is sometimes seen as a downstream activity, something to worry about once the new system is built. But in core insurance transformation, that mindset is a mistake. The most successful programs treat migration as a strategic workstream from day one. Starting early allows the migration team to shape the target data model in ways that reflect real legacy data structures and business needs, rather than retrofitting them later. It also ensures that the development of the new platform doesn't inadvertently create barriers to migration – something that happens all too often when integration and data teams are brought in too late.

However, the target data model is rarely a fixed point. As the program evolves, requirements change and the solution's data structures are refined. This makes it essential for migration and development teams to work in lockstep, maintaining a continuous dialogue. Close alignment allows both sides to anticipate changes, adapt mapping strategies, and ensure that migration remains feasible – even as the target keeps moving.

One of the most practical strategies for handling legacy portfolios is the use of simplified base products. Many insurers have closed books or discontinued products that are no longer sold but still need to be serviced. Instead of replicating every historical product variant in the new system, create streamlined base products specifically for migration. This approach reduces complexity, accelerates the migration process, and ensures that legacy policies remain manageable without cluttering the new platform with obsolete configurations.

A critical but often overlooked step is to cleanse and deduplicate existing data before migration begins.

Decades of system changes and manual processes often result in duplicate, inconsistent, or incomplete records. By investing in thorough data cleansing and deduplication, insurers can dramatically reduce migration errors, improve data quality, and build trust in the new system from day one.

Equally important is making deliberate decisions about the scope and approach of the migration. Not every policy needs to be migrated in the same way (or at all). Insurers must define which lines of business are in scope, whether to include closed or cancelled policies, and how much historical data to carry forward. These decisions have a direct impact on complexity, cost, and compliance. Likewise, the migration approach itself must be chosen carefully: whether to migrate all policies in bulk, only on renewal, or manually during policy changes. Each method has trade-offs in terms of effort, risk, and business impact.

And what about the policies that won't be migrated? These must not be left in limbo. Options include archiving them in a read-only format, maintaining a lightweight legacy environment for inquiry purposes, or outsourcing access to a third-party service. Whatever the choice, it must be intentional, compliant, and operationally sustainable.

Testing and reconciliation are non-negotiable. Rigid migration tests, comprehensive reconciliation routines, and transparent reporting are critical to building trust in the migrated data. Involving auditors early and asking them to review and approve the migration approach adds an extra layer of assurance—helping to avoid surprises at go-live and ensuring regulatory compliance.

Finally, don't fall into the trap of tying go-live to the completion of migration. Many successful programs decouple these milestones: they launch the new core platform for new business first, then migrate existing policies in controlled waves. This staged approach reduces risk, allows teams to focus on quality, and provides breathing room to resolve issues without the pressure of a "big bang" cutover.

In summary, migration is not just a technical exercise, it's a strategic workstream that demands early attention, close collaboration, disciplined execution, and a strong focus on data quality and scope clarity. By starting early, staying aligned, simplifying where possible, rigorously testing every step, and making smart decisions about what to migrate and how, insurers can turn migration from a source of anxiety into a foundation for long-term success.

Navigating the Transformation Minefield

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Complexity hides in portfolios, interfaces, and organizational silos. Exposing risks early and assigning clear ownership keeps transformation on track."

Understanding the Risk Landscape in Core Transformation

Core insurance transformation is one of the most ambitious undertakings an insurer can pursue. It promises long-term agility, operational efficiency, and digital competitiveness but it also introduces significant risk and complexity. These programs touch every part of the business, from product and process to data and culture. Without a clear understanding of the transformation minefield, even well-intentioned initiatives can falter. Transformation risk is multifaceted:

- Strategic risks arise when business goals are unclear or misaligned with IT capabilities.

- Operational risks emerge from disruptions to day-to-day processes, especially during migration and cutover.

- Technological risks stem from legacy constraints, integration challenges, and vendor dependencies.

- Regulatory risks are ever-present, particularly in multi-jurisdiction environments.

- And cultural risks often underestimated can derail adoption if change fatigue sets in or stakeholder buy-in is lacking.

Successful programs recognize that risk is not a one-time assessment, it's a continuous discipline. Early identification, structured mitigation, and transparent escalation paths are essential to keep the program on track.

Core transformation is inherently complex because it involves replacing systems that have evolved over decades. Legacy platforms are deeply intertwined with business logic, data structures, and operational workflows. Product portfolios are often fragmented and customized. System landscapes often include numerous applications and hundreds of interfaces, many undocumented or poorly maintained. Data quality is inconsistent, and ownership is unclear. For these reasons, the majority of insurers regard integration and data migration as the primary technology risks associated with core system replacement initiatives.

Beyond technology, organizational complexity adds another layer. Multiple departments, sales channels, geographies, and stakeholder groups must align on priorities, processes, and outcomes. This makes decision-making slow and coordination difficult - especially when transformation spans multiple years. Therefore, ensuring proper alignment and effectively preventing scope creep are significant challenges encountered in any transformation project.

Applying Risk Mitigation Strategies: From Identification to Control

Managing risk requires more than awareness, it demands structure. Leading insurers establish formal risk registers, define ownership, and implement early warning indicators. Risks are categorized by impact and likelihood, and mitigation plans are embedded into delivery routines.

The goal is not to eliminate risk, but to make it visible, actionable, and manageable: Technical risks are addressed through architecture reviews, disciplined testing, and phased rollouts. Business risks are mitigated through stakeholder engagement, change management, and scenario planning. Regulatory risks are managed through compliance reviews and legal oversight. And cultural risks are tackled through communication, training, and leadership alignment.

In complex programs, uncertainty is inevitable: Requirements evolve, priorities shift, and external factors such as regulation or market dynamics can change the playing field. To remain agile without losing control, insurers must establish clear decision-making guardrails.

These guardrails define how trade-offs are made: for example, prioritizing business transformation over technical replication, or favoring out-of-the-box capabilities over customization. Governance structures ensure that decisions are made at the right level, with the right information, and with clear accountability. Strong governance doesn't slow down transformation it enables it by providing clarity, consistency, and confidence in the face of uncertainty.

Resilience by Design: Building Flexibility into the Transformation Program

Transformation is not just a technical journey it's an emotional one. Stakeholders across the organization must adapt to new systems, processes, and ways of working. Expectations must be managed carefully, especially when timelines shift or scope evolves.

Change fatigue is a real risk, particularly in long-running programs. Employees may feel overwhelmed, disengaged, or skeptical. To counter this, insurers must invest in transparent communication, celebrate milestones, and provide ongoing support. Leadership visibility is critical when executives champion the transformation, it reinforces its importance and builds trust. Engaging stakeholders early and often is not optional, it's a prerequisite for adoption and success.

No transformation goes exactly as planned. That's why resilience must be built into the program from the start. This means designing modular architectures.

Rollout, Change Management, and Transition

> Rollout plans often get bogged down in endless preparation. Practicing transitions and accepting temporary dips in productivity ensure a smooth landing.

From First Launch to Full Scale: Designing the Right Rollout Strategy

Defining a clear rollout strategy is one of the most critical decisions in any core insurance transformation. It sets the tone for how the new solution will be introduced into the organization, how risks will be managed, and how business value will be delivered over time. Without a well-articulated rollout plan, even the most technically sound implementation can falter due to misaligned expectations, operational disruptions, or overwhelmed teams.

There are two primary approaches to rollout: the **"Big Bang"** and the **incremental (phased) rollout**. The Big Bang approach involves switching over all business domains, products, and processes to the new system at once. While this can offer a clean cutover and faster realization of benefits, it also carries significant risk: Any issue at go-live can impact the entire business.

That's why **most insurers opt for an incremental rollout strategy**. This approach allows organizations to manage complexity, reduce risk, and build confidence gradually. It also enables teams to learn from early releases and apply those lessons to subsequent phases, improving quality and efficiency along the way.

Incremental rollouts can be structured in various ways:

By line of business: e.g., starting with motor insurance, then expanding to property and liability.

By domain: e.g., implementing policy administration first, then claims and billing.

By customer segment: e.g., launching for private lines first, followed by commercial lines.

By sales channel: e.g., beginning with tied agents, then rolling out to brokers and direct channels.

Some insurers also pursue an **MVP-style first release**, focusing on a limited scope of essential features to go live quickly and gather feedback. However, defining a true MVP in core insurance is challenging. Even the smallest viable scope must include a product-driven framework, meet all regulatory requirements, connect to multiple downstream systems, and support at least one sales channel to be operationally useful.

Often used with incremental rollouts are **soft opening** or **friendly user phases**, i.e. launching the system with a limited group of users, such as selected internal staff or trusted brokers. This approach provides a safe environment to validate processes, gather feedback, and fine-tune the system before full-scale deployment, building confidence and supporting smoother adoption.

Another key enabler of phased rollout is the ability to **decouple data migration from go-live**. Many insurers choose to start with new business only, postponing the migration of legacy policies until the system has matured. This reduces initial complexity and allows teams to stabilize the platform before tackling the intricacies of historical data.

However, phased rollouts do come with implications. Most notably, they require **running the legacy and target systems** in parallel, which can strain both business and IT teams. To mitigate this, some insurers outsource the maintenance and operations of the legacy platform to a system integrator, a strategy often referred to as the "sun-downer scenario." This relieves internal IT teams from the burden of managing two systems and allows them to focus on the transformation. During this period, investments in the legacy system are typically restricted to **must-have changes** only, such as regulatory updates, to avoid diverting resources from the new platform.

In summary, a well-considered rollout strategy balances risk, complexity, and business value. By choosing the right approach and planning for the realities of parallel operations, insurers can ensure a smoother transition and set the stage for long-term success.

Change Management: Building Readiness from Day One

Change Management is often misunderstood as a discipline that becomes relevant only toward the end of a transformation initiative, when end-user training begins and new systems go live. In reality, it should be a strategic priority from the very beginning. Early and continuous investment in change management is essential to foster acceptance, mitigate resistance, and build the foundation for a successful transformation.

In the early phases of the program, change management should focus on **project team enablement** and **stakeholder communication**. For the project team, this means cultivating an agile and innovation-oriented mindset, preparing for new technologies, and building familiarity with the selected packaged solution. Conducting a **skill-gap analysis** helps identify and prioritize upskilling needs across roles, enabling targeted training plans that support delivery readiness. **Team-building** activities also play a critical role in fostering collaboration and resilience. At the same time, it's crucial to engage key stakeholders (like business owners, end users, and workers councils) through transparent, tailored communication and **expectation setting**. Early involvement helps align priorities, reduce uncertainty, and build trust.

As the program progresses, change management should ensure that **milestones, progress, and results** are consistently communicated across the organization. This includes involving distribution partners such as agents and brokers, and in some cases, even customers, especially when changes impact their experience. Establishing a "voice of the customer" representative can help ensure that customer needs are considered throughout the transformation.

Toward the later stages of the program, the focus shifts to **end-user training** and **knowledge transfer** from the system integrator and software provider to internal IT and operations teams. A structured training and KT (knowledge transfer) plan should define activities, roles, and success criteria. Training sessions must be conducted and evaluated to ensure readiness and confidence across all impacted teams. Role-specific training programs delivered through a mix of digital learning paths, hands-on workshops, and simulation environments ensure that users are not only informed but empowered. The goal is to build confidence and competence, enabling employees to navigate new processes and tools with ease.

To foster grassroots adoption, many insurers establish **networks of change agents and local champions**. These individuals act as multipliers within their teams, promoting the transformation, addressing concerns, and providing real-time feedback to the program. Their proximity to day-to-day operations makes them invaluable in identifying friction points and accelerating acceptance.

Cultural alignment is another key dimension. Core transformation often introduces new ways of working such as agile delivery, cross-functional collaboration, and digital-first customer engagement. Change management must therefore reinforce the underlying cultural shifts, promoting openness, learning, and innovation. This includes recognizing and celebrating early successes, which helps build momentum and reinforce desired behaviours.

GenAI can be a powerful enabler in this phase, helping to generate training materials, user guides, FAQs, and documentation tailored to specific roles and processes. This not only accelerates content creation but also improves consistency and accessibility.

Across all phases, several best practices stand out:

- Be clear on **why the transformation is necessary** and communicate the overarching vision.

- **Celebrate achievements** to build momentum and reinforce commitment.

- Ensure that **roles and responsibilities within the governance framework** reflect the empowerment messages being shared: Alignment between structure and culture is key to credibility.

In summary, change management is not a final step, it's a continuous thread that runs through the entire transformation journey. When done right, it turns disruption into opportunity and equips the organization to embrace change with confidence.

Cutover, Hypercare & Transition: Ensuring a smooth Landing

The final stages of a core insurance transformation – cutover, hypercare, and transition – are where planning meets reality. These phases are critical to ensuring a stable go-live, minimizing operational risk, and enabling a seamless handover to steady-state operations.

Cutover begins with a detailed plan that outlines every step, responsibility, and contingency. This includes preparation activities, execution timelines, verification procedures, data migration (if applicable), approval checkpoints, and communication protocols. Dry runs are essential to validate the cutover process and uncover potential issues before the actual go-live. Don't overlook operational details like migrating user and IT operations access rights to the production environment, these are sometimes missed but can cause major disruptions if not addressed.

Always have a **rollback plan** in place. If something goes wrong during cutover, a well-defined fallback strategy can prevent prolonged outages and protect business continuity. With each go-live, teams should adapt and learn, refining the cutover process to reduce risk and improve efficiency.

Following cutover, a structured **Hypercare** phase – typically lasting up to three months – provides high-intensity support to stabilize operations. During this time, IT operations teams monitor system performance, batch jobs, and integrations, and stand by for rapid issue resolution and bug fixing. Additional capacity is often allocated to meet predefined SLAs, and close collaboration with the client's Level 1 support ensures fast triage and escalation.

Hypercare teams are usually staffed with developers and subject matter experts from the project, ensuring continuity and deep system knowledge. To enable a smooth transition to steady-state operations, a dedicated **handover plan** should be executed, often using shadowing and reverse-shadowing techniques to transfer knowledge effectively. Vendor support during cutover and Hypercare should be secured with SLAs aligned to business criticality and cost efficiency.

End-user feedback is another vital input during Hypercare. Collecting and addressing feedback systematically helps identify usability issues, training gaps, and process inefficiencies. However, organizations should be prepared for **temporary productivity losses** in business operations due to learning curve effects. This is a normal part of adoption and should be anticipated.

Once the system stabilizes, a dedicated **optimization phase** should follow. This phase leverages real production experience and user feedback to improve process efficiency, automation, and overall system performance. It's an opportunity to fine-tune the solution and realize additional business value.

Finally, don't forget about **decommissioning** efforts. After the final deployment, legacy systems may need to be archived, retired, or transitioned to read-only access. Planning for these activities ensures compliance, reduces technical debt, and frees up resources for future innovation.

Together, cutover, Hypercare, and transition form the bridge between project delivery and operational excellence. With careful planning, responsive support, and continuous improvement, insurers can ensure that their transformation lands smoothly and sets the stage for long-term success.

Conclusions:

From Vision to Action

Core insurance transformation is no longer a distant ambition, it is an urgent imperative for every insurer seeking relevance, resilience, and growth in a digital-first world. As this whitepaper has shown, the journey from legacy systems to modern platforms is complex, high-stakes, and transformative. Yet, with the right strategy, leadership, and execution, it is also a unique opportunity to unlock operational efficiency, accelerate innovation, and deliver superior experiences for customers, brokers, and employees.

Success begins with a **unified vision**, one that bridges business ambitions and IT realities. Transformation must be owned jointly by business and technology leaders, with clear priorities, measurable goals, and a shared rationale for change. Early alignment on scope, domains, and customer segments ensures resources are focused where they matter most, while robust program guardrails empower teams to make decisive, value-driven choices.

The path forward is shaped by strategic decisions: choosing the right modernization **approach**, selecting **partners** and packaged **solutions**, and embracing cloud-first, agile, and AI-enabled delivery models. Building the right **team** – balancing internal expertise with external partners and shoring strategies – accelerates progress and mitigates risk. **Governance**, phased rollout, and continuous change management provide the backbone for sustained momentum and resilience. **Integration** and **data migration**, sometimes underestimated, must be prioritized from day one. Simplification and standardization lay the foundation for future agility, while disciplined risk management and transparent communication keep the program on track.

If you are tasked with launching a core transformation program, **start preparing today**. Assemble your leadership team, clarify your vision, and begin answering the **critical questions** that will shape your journey:

- What is your unified vision for transformation, and how are business and IT jointly owning it?

- Which domains, customer segments, lines of business, and channels are in scope, and why?

- What are your top business and IT priorities, and how will you measure success?

- Which modernization pathway (packaged suite, custom, replatform) best aligns with your strategic goals and risk appetite?

- Do you have the right team and partners in place – including system integrators, shoring strategies, and change management capabilities?

- What governance structures, risk mitigation plans, and rollout strategies will keep the program aligned, agile, and resilient?

By addressing these questions with clarity and conviction, you lay the groundwork for a transformation that delivers real business value – today and for years to come.

Contacts

Dr. Joachim Rawolle

Head of Insurance Practice,
Financial Services Germany

joachim.rawolle@capgemini.com

Florian Baumann

Regulatory & Compliance Delivery,
Financial Services Germany

florian.baumann@capgemini.com

Gunnar Tacke

Insurance Transformation & Architecture,
Financial Services Germany

gunnar.tacke@capgemini.com

Alexander Pusch

Principal Business Analyst, Enterprise Architect,
Financial Services Germany

alexander.pusch@capgemini.com

Dr. Kai Lapacek

Core Insurance Transformation,
Financial Services Germany

kai.lapacek@capgemini.com

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