



WHITE PAPER

# Breaking the Chains of Legacy:

## Transforming Life & Benefits Insurance for the Digital Age





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***“Legacy systems are no longer just a cost of doing business; they are a barrier to survival.”***

- John Carter, CEO of one of the world's top life insurance providers.

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## THE INFLECTION POINT

In today's Life & Benefits (L&B) insurance landscape, this statement resonates more than ever. Over 60% of insurers still rely on systems that are more than 20 years old, contributing to high maintenance costs and scalability issues.<sup>1</sup> These systems, designed for stability rather than agility, now hinder innovation and limit the ability of insurers to meet ever-evolving customer expectations.

The industry has reached an inflection point as a result. And with the rapid acceleration of digital transformation, there's no longer room for inaction; insurers must adapt or risk becoming obsolete.

This whitepaper delves into the critical need for legacy transformation, explores the challenges, and outlines a practical path forward, drawing from Sutherland's deep expertise and proven methodologies.

# WHY LEGACY TRANSFORMATION IS IMPERATIVE FOR L&B INSURERS


Legacy transformation represents a paradigm shift—it’s not about patching old systems but reimagining operations for future scalability and relevance. Insurers face increasing pressure from customers, competitors, and regulators to evolve quickly, driven by:

*“The ability to integrate seamlessly with insurtechs is not just a nice-to-have; it’s a business necessity,”*

- Sarah Wilson, Chief Digital Officer at a leading insurance firm

- 1

**Expanding Ecosystems:** The insurance ecosystem is growing rapidly, requiring integration with insurtechs and third-party vendors to meet changing consumer expectations. For instance, leveraging embedded insurance enables innovative distribution channels, such as fitness apps offering personalized life insurance policies based on user activity. Without modernization, insurers will struggle to keep pace with market demand.
- 2

**The Need to Leverage Legacy Data:** Data is the lifeblood of innovation. Legacy systems house decades of valuable data to drive innovation, but that’s typically unstructured and in inaccessible formats. Finding a way to ingest this data, both efficiently and at scale, will be key to unlocking this potential, enabling products like Indexed Universal Life (IUL) policies tailored for specific demographics.
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The diagram illustrates the flow of data from legacy systems through AI to create personalized products. On the left, a cluster of binary code (0s and 1s) is labeled 'legacy data'. A central hexagonal box contains the letters 'AI'. To the right of the AI box, numerous glowing lines radiate outwards, representing data being processed. On the far right, another cluster of binary code is labeled 'hyper-personalized insurance products'.
- 3

**Shifting Customer Expectations:** 78% of policyholders prefer digital-first experiences.[2] There’s widespread expectation among consumers to be able to buy a policy online, conduct transactions through an insurer’s mobile app, and stay informed about their policy status through real-time updates. Achieving omnichannel excellence by transforming outdated systems to deliver intuitive, frictionless customer engagement is critical—and all the more important for retaining Millennial and Gen Z customers.

# OTHER FACTORS DRIVING THE NEED FOR TRANSFORMATION



**Technology Advancements and Competition:**  
Rapid advancements in AI and machine learning are reshaping how insurers interact with customers.



**Adding Efficiencies:**  
Automation, AI, and bots reduce manual processing and enhance speed.



**Cloud-Hosted Solutions:**  
Scalability and cost-effectiveness make cloud adoption a necessity.



**Cost and Resource Reduction:**  
Modern platforms significantly lower operational expenses.



**Future Growth:**  
Increased flexibility to launch new products quickly and efficiently.



**Regulatory and Governance Mandates:**  
Ensuring compliance with evolving laws and industry standards.



**Integration of ESG (Environmental, Social, and Governance) Products:**  
Meeting growing consumer demand for sustainable and socially responsible options.

# THE LEGACY CHALLENGE: BREAKING DOWN BARRIERS

As insurers look towards modernization, they must tackle the entrenched challenges posed by legacy transformation. These are often deeply integrated into every facet of the business and, as such, present a set of interconnected hurdles to overcome. Let’s take a closer look at the most significant challenges insurers face.

*“Transformation is as much about people as it is about technology,”* notes Alex Morgan, Transformation Lead at PwC.

- 1

**Complex Systems:** Legacy systems, with their siloed architecture, hinder agility. For example, insurers often juggle multiple Policy Administration Systems (PAS), each tailored to specific products or distribution channels. The complexity of integrating these systems into a single, modern platform is significant.
- 2

**Data Migration Dilemmas:** Migrating decades of data across fragmented systems is daunting. Approximately 30% of legacy data is often inaccurate, requiring robust cleaning and governance frameworks to ensure migration success.[3] Without a robust data strategy, insurers risk missing out on the insights they need to compete in the digital age.
- 3

**Cultural Resistance:** Legacy systems are often entrenched in organizational culture, which means inertia poses a significant barrier. Employees that are used to legacy systems can often resist change, fearing obsolescence. A well-executed change management strategy is crucial to overcoming this.

Complex Systems	Data Migration Dilemmas	Cultural Resistance
<ul style="list-style-type: none"><li>• Intricate interdependencies</li><li>• Customization Overload</li><li>• Integration Challenges</li><li>• Vendor Lock-In</li></ul>	<ul style="list-style-type: none"><li>• Volume and Diversity of Data</li><li>• Risk of Data Loss</li><li>• Regulatory and Compliance Issues</li><li>• Data Security Concerns</li></ul>	<ul style="list-style-type: none"><li>• Change Management</li><li>• Mindset Shift</li></ul>

## THE FALSE PROMISES OF PAST TRANSFORMATIONS

In an effort to address these challenges, insurers have historically turned to Third-Party Administrators (TPAs) or Policy Administration System (PAS) modernization as quick fixes. Yet these approaches often fall short. While promising efficiency and cost savings, attempts to address the limitations of legacy systems have failed to deliver the expected outcomes.

Life insurance policies often extend over decades, meaning legacy systems are burdened with products and contracts dating back 30-40 years. As insurers grow through acquisitions, they typically inherit multiple Policy Administration Systems (PAS), with the average insurer operating five such systems to support diverse portfolios and distribution channels.

Despite the availability of modern platforms, PAS consolidation efforts frequently fail or experience significant delays due to the following factors:



**UI-Wrapped Legacy Systems:** Many PAS implementations have been “modernized” with superficial UI updates, leaving underlying legacy issues unresolved. This is often a result of limited expertise in Life & Annuities (L&A) leadership and core platform understanding.



**Thin Modern Platform Frameworks:** Modern PAS solutions often lack robust features to support complex products and riders, necessitating significant custom builds. These efforts rely heavily on client Subject Matter Experts (SMEs), who are often unable to provide detailed requirements due to knowledge gaps.



**Proprietary Source Systems Dependency:** The lack of in-depth knowledge of proprietary legacy systems leads to vendor lock-in. Vendors dominate the process of extracting and transforming rules, rates, and data, often creating conflicts of interest.



**Immature Conversion Toolkits:** Many conversion tools fail to support intricate products and riders. Additionally, they lack plugins compatible with legacy source systems, leading to incomplete or inaccurate data migrations.



**Knowledge Deficits in Conversion Teams:** Teams tasked with managing conversions often lack familiarity with U.S. L&A products, regulations, and operational nuances, exacerbating delays and inaccuracies.



Over the past two decades, many insurers have also turned to Third-Party Administrators (TPAs) to manage operations, including PAS systems, with the promise of streamlined processes and cost savings. However, TPAs often fail to deliver on these promises.

Typically operating in a siloed manner, TPAs may offer some efficiency gains for specific tasks but don't fundamentally change the way insurers operate—and they don't enhance integration across systems, either. The challenge this creates presents itself in several ways:

- **Business Continuity Prioritized Over Innovation:** TPAs focus on maintaining uninterrupted operations, leaving little room for transformative innovation.
- **Technological Debt:** Years of patchwork upgrades result in unsustainable systems held together by temporary fixes.
- **Customization Challenges:** Tailored legacy systems are difficult to replace with modern, standardized solutions without extensive rework.
- **Unclear ROI:** Transformation efforts often lack clearly defined financial benefits, causing hesitancy among stakeholders.
- **Incomplete Data Integration:** TPAs frequently struggle to consolidate unstructured and fragmented data, leading to operational inefficiencies and compliance risks.

TPAs and PAS upgrades might seem like an easy solution to the legacy challenge, but they only offer superficial fixes. Insurers need a way to move beyond this and embrace a more holistic, fully integrated approach to modernization to truly address the challenges they face.

An approach like this will ensure legacy systems aren't merely patched, but are fundamentally reimaged to meet changing consumer expectations and unlock the innovation insurers need to effectively compete in the digital age.



# CREATING A BLUEPRINT FOR SUCCESS

Digital transformation in the L&B insurance industry isn't a one-time project—it's a journey that requires careful planning, execution, and ongoing adjustment. Successful transformation will depend on aligning technology, people, and processes, in addition to working with the right transformation partner.



# THE SUTHERLAND PERSPECTIVE

Sutherland offers a strategic, proven approach to legacy transformation, enabling insurers to modernize efficiently and effectively, delivered through four pillars:



## Partnership with LIDP Titanium

Sutherland’s exclusive partnership with LIDP Titanium—a cloud-native, API-rich platform—ensures scalable, future-proof solutions. With over 11 million policies managed, Titanium delivers unparalleled reliability.



## Minimizing Conversion Risk

Sutherland’s proprietary “Conversion-as-a-Service” methodology mitigates the risks associated with migrating legacy data. With over 14 million policies converted without data integrity issues, the success rate is unmatched.



## Holistic Operations Transformation

Through our 10 proprietary platforms, Sutherland integrates front-office and back-office operations, achieving 30-50% cost savings while enhancing customer satisfaction.



## Outcome Commitment

Sutherland guarantees measurable outcomes, including:

- 30-40% reduction in unit policy costs.
- 50% faster speed-to-market for new products.
- 100% compliance readiness.
- Contractual flexibility with no “lock-in”.

## SUTHERLAND TOOLS FOR TRANSFORMATION



### SUTHERLAND CX360™

Omnichannel - Analyze Customer journeys with interaction insights



### SUTHERLAND SmartLeap® HelpTree

Digital Intelligent Knowledge management



### SUTHERLAND® Extract

AI-Intelligent Data Extraction platform-OCR



### SUTHERLAND Robility®

Robotic Process Automation



### SUTHERLAND Connect®

Cloud Omnichannel Platform



### SUTHERLAND® Journey

CX Automation



### SUTHERLAND® Conversational AI

(Chat bot)-AI Led Conversations



### SUTHERLAND® Play Vox

Training

### Customer/Agent Portals



### SUTHERLAND Sentinel AI®

Remote Worker Security Suite



### SUTHERLAND® Prodigy

Redesign Complex Business Processes



### SUTHERLAND Translate AI®

Cloud Based Language Extraction



### SUTHERLAND® CloudTestr

Testing Automation

# OPPORTUNITIES AND EMBEDDED INSURANCE USE CASES

Legacy transformation unlocks a range of new possibilities for insurers, including:



## CLAIMS TRANSFORMATION

**Challenges:** Fragmented workflows and manual claims handling

**Solution:** AI-powered Straight Through Processing (STP)

**Impact:** Reduced claims cycle by 75%, minimized leakage by 15%, and improved NPS by 10 points

## BENEFICIARY MANAGEMENT

**Challenges:** Inaccurate data and lack of self-service tools

**Solution:** Digitized workflows with AI-driven validation

**Impact:** 99% data accuracy and reduced manual intervention by 80%

## POLICY ADMINISTRATION MODERNIZATION

**Challenges:** Inefficiencies in policy issuance and renewals

**Solution:** SaaS-based policy platforms

**Impact:** 40% cost savings, 50% faster policy issuance



## TRANSFORMATION IN ACTION

A leading insurer partnered with Sutherland to modernize its PAS and operations. Adopting Sutherland's phased transformation roadmap resulted in:

**50%**  
cut in policy  
issuance timelines

**60%**  
improvement in  
claims cycle time

**40%**  
reduction in  
operating costs

# THE TIME TO TRANSFORM IS NOW

## References

1. Javelin Strategy & Research, 2025 Forecast Report
2. Bain & Company, Embedded Finance Market Analysis
3. World Economic Forum, ESG Trends Report 2024
4. Accenture, Millennial Insurance Trends Report 2024
5. IDC Insurance Tech Analysis
6. McKinsey Legacy Systems Benchmarking Study
7. PwC Workforce Trends in Insurance
8. Gartner Policy Administration Systems Review
9. Deloitte TPA Performance Metrics Report

Despite recognizing the importance of digital transformation, the insurance sector has historically been slow to make changes at scale. Yet now we’ve hit an inflection point, many established insurance companies are starting to fast-track their transformation efforts. Legacy transformation is no longer optional. And, as the industry landscape continues to shift, the time for action is now. With an outcome-driven methodology that ensures a seamless transition, and a suite of proprietary products and solutions that use domain-driven analytics, end-to-end automation, and cloud-based insurance technology, Sutherland can help you transform and reinvent business processes. With industry-leading domain expertise, Sutherland is a trusted partner to 80+ of the top global insurance companies delivering tailored transformations and measurable results.



**Vijay Pahuja**  
Senior Vice President and Global Head of Insurance, Sutherland

Vijay leads Sutherland's insurance division, focusing on growth, value creation, and service transformation across all insurance segments globally. With over 22 years in the insurance industry, he has a proven track record in building business units, accelerating performance, and maximizing value for insurers worldwide. An operations and strategy professional, Vijay brings depth across retail, commercial, and group insurance segments, specializing in transforming operating models, product planning, and digital technology enablement.



**Sanjib Talukdar**  
Head of Insurance Solutions and BPaaS, Sutherland

Sanjib leads Sutherland's insurance solutions and Business Process as a Service (BPaaS) offerings. He focuses on integrating digital transformation and automated operations within the third-party administrator (TPA) space, aiming to enhance customer experience and drive operational efficiencies.



**Laurel Jordan**  
Solutions Lead, Sutherland

Laurel serves as a Solutions Lead at Sutherland, specializing in transformative TPA models that boost customer experience and drive efficiencies. She has participated in discussions on reimagining the TPA space, bringing in efficiencies, automation, and integration within the TPA construct.

## Unlocking Digital Performance. Delivering Measurable Results.

At Sutherland, we are a leading global business and digital transformation partner. We work with iconic brands worldwide in Healthcare, Insurance, Banking & Financial Services, Communications, Media & Entertainment, Technology, Travel & Hospitality, Logistics, Retail, Energy & Utilities industries. We bring our clients a unique value proposition through market-leading technology and business process excellence. Leveraging our advanced products and platforms, we drive digital transformation, optimize critical business operations, reinvent experiences, and pioneer new solutions, all provided through a seamless “as a service” model. For each company, we tailor proven and rapid formulas to fit their unique DNA. We bring together human expertise and artificial intelligence. In short, we do digital chemistry. It unlocks new possibilities, great client partnerships, and transformative outcomes.