

# SPEAR

## TECHNOLOGIES

### The Hidden Cost of Legacy Core Software Systems

#### Introduction: The Legacy System Problem

Many insurers continue to rely on core legacy systems implemented decades ago. These systems—often built with outdated programming languages such as COBOL—may still function for basic operations but are increasingly incompatible with modern demands. The insurance landscape is evolving with the rise of automation, data-driven decision-making, and digital-first customer expectations, creating friction for companies locked into outdated infrastructures.

#### The Visible and Hidden Costs of Legacy Systems

##### High Maintenance and Operational Costs

- **Licensing Fees and Maintenance Contracts:** Legacy systems require specialized support, often from external vendors with increasingly high fees.
- **Vendor Lock-In:** Insurers tied to proprietary systems are constrained by vendor contracts, making upgrades or migration costly.

##### Increased IT Staff Burden

- **Specialized Skill Set Requirements:** Maintaining older systems requires experts in obsolete technologies, such as COBOL, leading to higher salaries and limited talent pools.
- **Manual Workarounds:** Since legacy systems often lack modern automation capabilities, staff must perform repetitive, manual tasks, increasing operational inefficiency.

##### Operational Risks and Downtime

- **System Failures:** Legacy systems are prone to downtime, and repairs can be time-consuming and expensive.
- **Security Vulnerabilities:** Older systems are more susceptible to cyberattacks due to a lack of modern security features.

#### Executive Summary

The insurance industry faces increasing pressure to reduce operational costs, enhance customer experiences, and adapt to changing market dynamics. However, many insurers remain tied to legacy core software systems that create significant, often unseen costs, such as:

- ▶ High Maintenance & Operational Costs
- ▶ Increased IT Staff Burden
- ▶ Operational Risks and Downtime
- ▶ Limited Integration Capabilities
- ▶ Lost Revenue Opportunities
- ▶ Customer Experience Challenges
- ▶ Compliance and Regulatory Risks
- ▶ Manual Reporting Issues

This whitepaper explores the hidden costs of legacy systems and offers insights into how modern core solutions can help insurers can experience:

- ▶ Scalability and Flexibility
- ▶ Increased Operational Efficiency
- ▶ Seamless Integration
- ▶ Security and Compliance Advantages
- ▶ Higher Customer Satisfaction
- ▶ Customer Experience Challenges
- ▶ Compliance and Regulatory Risks
- ▶ Intuitive Reporting from Deep Analytics

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Interested in exploring how your organization could be benefiting from a modern claims system? Contact us at [sales@spear-tech.com](mailto:sales@spear-tech.com).

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### Limited Integration Capabilities

- **Incompatibility with Modern Solutions:** Legacy software struggles to integrate with new technologies, such as AI-driven underwriting or telematics data for usage-based insurance.
- **Data Silos:** Disconnected legacy systems hinder data sharing across functions, limiting the ability to deliver seamless customer experiences.

### Business Impact of Legacy Core Systems

#### Lost Revenue Opportunities

- **Delayed Product Launches:** Legacy systems make it difficult to introduce new products or adapt to evolving customer needs.
- **Inefficient Claims Processes:** Customers expect quick claims resolution. Slow, manual processes enabled by legacy systems can lead to customer dissatisfaction and churn.

#### Customer Experience Challenges

- **Lack of Digital Capabilities:** Insurers with legacy systems struggle to offer self-service options, mobile apps, and personalized customer interactions.
- **Inability to Meet Customer Expectations:** Competitors leveraging modern platforms can provide faster service, resulting in a competitive disadvantage.

#### Compliance and Regulatory Risks

- **Regulatory Burden:** Legacy systems lack the flexibility to adapt quickly to new regulatory requirements, increasing the risk of non-compliance.
- **Manual Reporting Issues:** Legacy platforms complicate reporting processes, increasing the risk of errors and penalties.

### How Modern Technology Can Mitigate These Costs

#### Cloud-Based Solutions for Scalability and Flexibility

- **Scalable:** Modern core systems, built for the cloud, allow insurers to scale operations as needed, reducing the overhead associated with physical infrastructure.
- **Less Operational Risk:** Cloud solutions also enhance disaster recovery and reduce downtime.

#### AI and Automation for Operational Efficiency

- **Streamline Workflows:** Replacing legacy systems with AI-powered platforms enables insurers to streamline workflows through automation.
- **Automation:** AI-driven solutions can improve underwriting, fraud detection, and claims processing, cutting down on manual labor and errors.

#### API-Driven Ecosystems for Seamless Integration

- **Smoother Integration:** Modern core systems use APIs to facilitate integration with new technologies such as telematics, predictive analytics, and digital payment platforms.
- **Access to Innovation:** This allows insurers to leverage third-party innovations without overhauling their entire infrastructure.

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## TECHNOLOGIES TRANSFORMING INSURANCE

**Security and Compliance Advantages**

- **Increased Security:** New software solutions come with built-in security features and are regularly updated to meet evolving regulatory standards, reducing compliance risks and mitigating the chance of cyberattacks.

**Case Study of Successful Modernization**

A well-respected P&C TPA firm replaced their legacy claims system with a modern cloud-based core solution, enabling them to operate more efficiently, recover more funds, and provide greater value to their clients while reducing operating costs.

**Read the Case Study:** [George Hills Improves Subrogation Recovery with SpearClaims™](#)

**Conclusion: Time to Embrace Change**

The hidden costs of legacy core software systems extend beyond just maintenance expenses. They manifest as lost opportunities, operational inefficiencies, increased risk, and customer dissatisfaction. To stay competitive in today's digital-first world, insurers must move beyond outdated systems and embrace modern technology solutions. Investing in cloud platforms, automation tools, and API-driven ecosystems will not only lower operational costs but also position insurers to meet evolving customer expectations and regulatory demands.

To see first-hand how your organization could be benefiting from SpearSuite™, our award-winning suite of claims management, policy administration, billing and portal solutions, built by industry experts on a modern no code/low code platform that delivers the power of built-in AI and Analytics while lowering your total cost of ownership, [Schedule a Demo](#).

To discover how Spear's solutions are accessible to insurers of all sizes, [Request Pricing](#).

**About Spear Technologies**

Spear Technologies is a leading provider of core software solutions systems for the P&C insurance industry. Spear's cutting-edge software solutions empower insurer organizations with unprecedented speed, control, and results. Spear's latest solutions take advantage of the low-code Microsoft Power Platform™ and incorporate AI, data analytics and intelligent automation to achieve better results. Spear's cloud-based policy, billing, claims, and portal solutions enable organizations to easily configure their systems to align with their unique and ever-changing business needs. For more information about Spear Technologies visit [www.spear-tech.com](http://www.spear-tech.com).

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