

HIGHLIGHT

Insurers cannot continue to ignore decades of technical and process debt

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As an insurance executive, you are acutely aware of the mounting challenges stemming from decades of technical and process debt—estimated at a staggering \$200 billion by HFS Research. In an industry facing rapidly escalating global risks, outdated legacy systems and processes are no longer sustainable. The cracks in these systems are becoming increasingly visible, pressuring insurers to modernize while remaining competitive in a digitally driven marketplace.

DXC's insurance leadership, in collaboration with HFS analysts, has charted a pragmatic path forward. Inspired by the collective industry momentum in the London insurance markets, this path is centered on sustainable, incremental transformation.

The rapid escalation of global risk is intensifying the pressure facing insurers

The insurance industry is transforming significantly, driven by technological advancements and shifting priorities. Personalized policies are becoming more prevalent in life insurance as health data enables insurers to tailor offerings based on individual lifestyles. Specialty property and casualty insurers are refining their risk selection and pricing through advanced modeling and real-time data integration, leveraging innovations such as IoT and advanced catastrophe models. These advancements also enhance the ability to assess complex risks, including supply chain disruptions, marine cargo, and drones, on a near-real-time basis, providing a competitive edge in risk estimation and underwriting.

Environmental, social, and governance (ESG) considerations are reshaping insurers' strategies under the influence of global accords and increasingly polarized investor activism. Many investors, particularly in Europe, are pushing for

greener portfolios, advocating for divestment from fossil fuels and greater alignment with sustainability goals. At the same time, there is a growing backlash against these policies, especially in the US, where legal challenges and political opposition are playing out in courtrooms and public discourse. This bidirectional pressure places insurer investment portfolios and underwriting strategies squarely in the crosshairs, forcing them to navigate complex trade-offs between competing priorities. Aligning with ESG imperatives also requires significant investment in real-time analytics to meet evolving expectations. Meanwhile, the growing risks associated with cybersecurity and data privacy, fueled by rising threats from organized crime and nation-state actors, demand robust measures to protect sensitive customer information and address increasing insurance claims.

Life insurers face mounting pressures beyond longevity risk and financial strain. A growing protection gap has left many consumers underinsured, driven by affordability concerns, outdated policy structures, and economic uncertainty. At the same time, consumer expectations are shifting, with demand for digital-first, self-service experiences that many insurers struggle to meet due to legacy systems and slow underwriting processes. Regulatory scrutiny is also intensifying, particularly around AI-driven underwriting, data privacy, and pricing fairness, forcing insurers to invest in explainable AI and ethical underwriting frameworks. Meanwhile, talent shortages in actuarial science, AI, and data analytics hinder insurers' ability to innovate and modernize. As life expectancy rises, insurers must also adapt their product portfolios to support longer retirements, balancing affordability with sustainable, income-generating solutions. Navigating these complexities requires insurers to embrace digital transformation, invest in advanced risk modeling, and develop flexible, consumer-centric policies that meet the evolving needs of today's market.

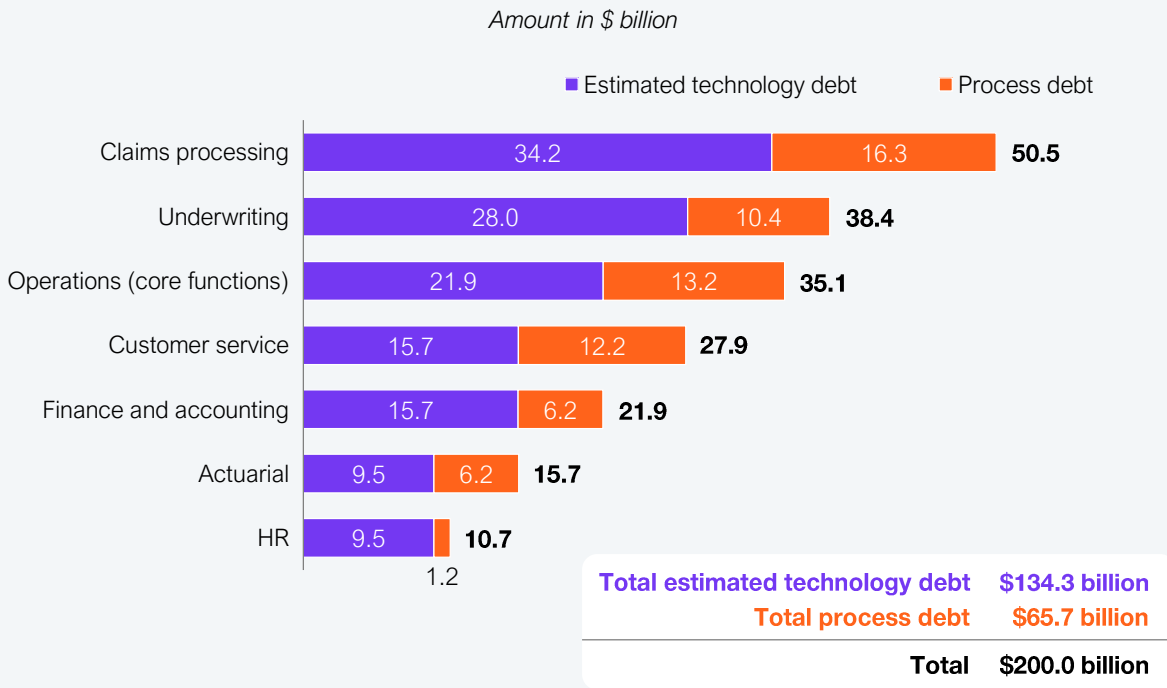
In the US, home insurance markets are under increasing pressure in regions vulnerable to natural disasters such as hurricanes, wildfires, and floods. These events' growing frequency and severity, exacerbated by climate change and inflation, have led to rising claims costs, prompting insurers to reassess coverage terms, increase premiums, or withdraw from high-risk areas altogether. States such as California and Florida face significant challenges as insurers struggle to maintain profitability while meeting regulatory requirements to offer fair access to coverage. In other developed economies, similar trends are emerging. For example, Australia is grappling with rising flood and wildfire risks, leading to debates on affordable insurance for at-risk properties. These global approaches highlight the need for innovative solutions, including government-backed insurance

programs, advanced risk modeling, and climate-resilient infrastructure investments, to sustain the viability of home insurance markets.

Technology and process debt impede progress

The lack of digital investment means incumbent insurers are constrained by outdated, siloed legacy ways of operating. Conversations between HFS analysts and leading insurers continue to confirm that this is a significant hurdle they must overcome before they can properly adapt to shifting market dynamics. HFS estimates the insurance industry is burdened by \$134 billion in technology debt and \$66 billion in process debt, most of which sits in claims processing—see Exhibit 1 for the full breakdown.

Exhibit 1: Estimated technology and process debt in the insurance industry



Source: HFS Research, 2025

Savvy insurers have made some progress breaking down siloes—but not all

Tackling such extensive technical and process debt requires cross-functional collaboration and significant investment—both capital and time. A recent HFS survey tells us that 45% of insurers are already investing in the technology-driven alignment of the front, middle, and back offices—you might recognize this as the [HFS OneOffice](#). We estimate 37% of insurers increased technology spending between 11% and 37% in 2024 alone.

This means they are working to transform functions such as underwriting, claims, operations, and customer services to no longer operate in siloes but instead work together. Doing this enables end-to-end processes with enhanced efficiency and the creation of rich functional datasets. Ultimately, this means significantly improved outcomes for insurers and their clients. New York Life, Chubb, and Travelers are examples of insurers on this journey.

For life insurers, modernization efforts are particularly critical in underwriting, claims, and policy administration, where legacy systems and data silos have slowed progress. Many insurers still rely on manual underwriting processes, leading to slow policy approvals and high customer acquisition costs. Investments in AI-driven underwriting and real-time health data integration, such as leveraging wearable devices and electronic health records, are helping insurers accelerate decision-making and improve risk assessment accuracy. Similarly, outdated policy administration systems limit the ability to launch new products quickly, forcing insurers to modernize with cloud-based, API-driven platforms that support real-time policy adjustments and dynamic pricing models.

The London Market is embracing incremental modernization powered by ecosystems to drive collective momentum

The London Market is one example of how insurers can come together to tackle their technical and process debt to drive value as a collective—what we call OneEcosystem. Rather than relying on a single technology or provider, the market has established a mix of data standards, protocols, and platforms that enable seamless collaboration. For instance, the Core Data Record (CDR) serves as a bridge between existing Market Reform Contracts (MRC) and the ACORD Common Reference Party (CRP) message, which is part of the Global Reinsurance & Large Commercial (GRLC) standard. While the CDR helps standardize data for consistency, the CRP message will ultimately drive long-term digital transformation by creating a unified structure for global insurance transactions. However, the full impact of CRP adoption is still some way off. Meanwhile, commercial placing platforms such as PPL (Placing Platform Limited) have already delivered tangible benefits by streamlining the process of quoting, negotiating, and binding business electronically. These combined efforts reduce administrative costs, improve underwriting efficiency, and create a more connected marketplace.

The transformation of the London Market should inspire insurers to follow a similar path—leveraging the power of ecosystems through incremental change. Blueprint Two (BP2), which will roll out in phases over the upcoming years, represents a series of incremental improvements that will ultimately modernize the London Market. BP2 emphasizes data standardization, process automation, and digital connectivity rather than a disruptive system overhaul.

While it builds on past initiatives such as the London Market “Target Operating Model,” the earlier move to PPL stands out as a significant success, demonstrating the value of digitizing specific processes to enhance speed, transparency, and efficiency.

Notably, the London Market’s transformation has been a phased and collaborative effort rather than a radical shift. Instead of replacing entire systems, the approach has focused on incremental modernization, targeted enhancements, and market standardization—a methodology DXC refers to as a “forced function.” While the CDR is an important stepping stone, it is not the ultimate driver of change. The true acceleration of digital transformation will come when the CRP message reaches widespread adoption, enabling a fully standardized, automated, and global insurance data exchange.

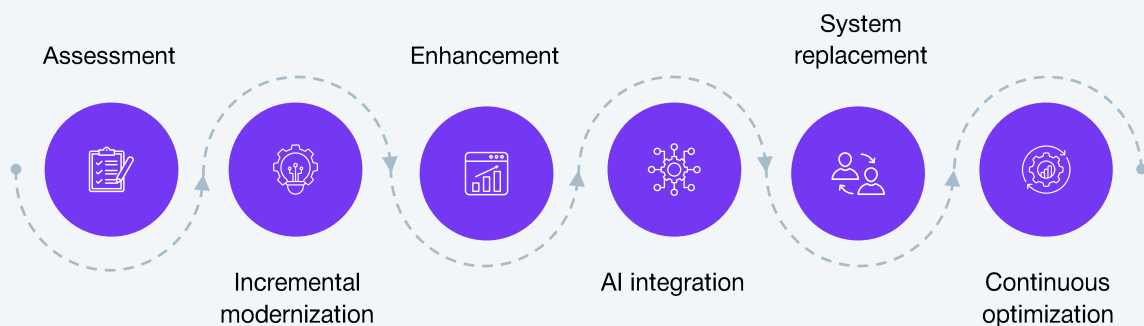
This approach demonstrates how incremental innovation and stakeholder alignment can drive sustainable transformation. It provides a blueprint for insurers in other markets to address their technical and process debt while keeping pace with evolving market standards.

The six-step approach insurers should take to crush technical and process debt incrementally—finally

Tackling decades of debt is difficult. While executives might wish it could be done overnight, it requires a sustainable and gradual approach—similar to how the London Market is driving transformation. DXC describes it in three key phases: protect, extend, and transform. Here, HFS recommends a six-step process insurers should follow to tackle their debts and ensure their relevance in the changing world. See Exhibit 2.

- 1. Assessment:** Define the business case for investment by evaluating legacy systems, identifying process and technical debt, and assessing where modernization would deliver the highest value. This requires a full system audit, mapping inefficiencies, and understanding regulatory and operational risks. For example, a global life insurer performed a system-wide audit revealing that their outdated policy management system leads to long claim settlement times and compliance issues with new privacy regulations.

Exhibit 2: Six steps to crush process and technology debt



Source: HFS Research, 2025

- 2. Incremental modernization:** Build the cloud foundation by migrating non-core systems (e.g., HR and customer support) to the cloud—quick wins to free resources for future investments. Consolidate data into cloud-native platforms and ensure data governance to enable AI and advanced analytics. This step is the most common initial action in the market and should be the first decision for most insurers, as cost savings can fund other, more impactful options.
- 3. Enhancement:** Incrementally deploy new capabilities by leveraging APIs and microservices to enhance legacy systems and integrate emerging technologies. At this step, insurers could implement advanced analytics to improve underwriting or automation to streamline processes. For example, a regional insurer integrated an API-based analytics engine into its claims processing system, enabling real-time fraud detection without requiring a complete system overhaul.
- 4. AI integration:** Carefully introduce AI to transform key processes, such as fraud detection and customer segmentation. Establish AI governance to ensure ethical and compliant use. This is when insurers should expect to see enhanced competitiveness and differentiated offerings. A large specialty P&C insurer used machine learning to analyze customer data, enabling hyper-personalized policy recommendations and proactive policyholder retention strategies.
- 5. System replacement:** Fully replace legacy systems when incremental improvements can no longer meet business demands—for example, high maintenance costs, limited scalability, or inability to integrate with modern technologies. We recommend insurers look to modular cloud-native platforms to enable future growth.
- 6. Continuous optimization:** Establish KPIs to monitor system performance, update AI and cloud capabilities, and tweak workflows based on emerging market trends. A culture of innovation is critical to maintaining a competitive advantage and supporting continuous optimization. One insurer tracks AI-driven claims processing KPIs (e.g., time to settle, accuracy rates) and regularly fine-tunes its algorithms to adapt to new fraud schemes and evolving customer expectations.

Throughout each step of the journey, insurers must consider the business case established in the assessment phase, ensuring the modernization aligns with their strategic goals and delivers measurable outcomes. HFS believes this six-step approach balances immediate operational needs with long-term goals, enabling insurers to modernize strategically, maintaining relevance in the changing world while also minimizing disruption.

DXC is working to position itself as a leading partner to help insurers drive their transformation effort

The multifaceted global technology company DXC Technology is a global leader in enabling transformation for the insurance industry. DXC's Insurance Software & BPS business unit is a \$1.2 billion insurance-focused business that partners with 21 of the top 25 global insurers and serves more than 1,000 insurers worldwide. With decades of experience and expertise spanning life insurance, property and casualty (P&C), specialty markets, and reinsurance, DXC delivers comprehensive solutions tailored to the unique needs of insurers. The company's offerings encompass a wide range of services, including core system modernization, digital integration, and advanced analytics. DXC is known for its ability to tackle the deeply embedded technical and process debt plaguing the insurance sector. It offers innovative strategies that help insurers streamline operations, reduce costs, and enhance customer experiences.

What sets DXC apart is its focus on combining cutting-edge cloud-based insurance-specific technology with a complete business operations solution that is equally insurance-specific. From its AWS cloud-native Assure Platform and API-driven architectures to increasingly AI-enabled underwriting and claims processes, DXC provides the tools and frameworks necessary for insurers to stay ahead in an increasingly digital-first world. Its end-to-end solutions are designed to integrate seamlessly with existing infrastructure, minimizing disruption while enabling scalable and future-proof operations. DXC's global reach, industry partnerships, and extensive business process operations position it as a leading partner for insurers looking to innovate, comply with evolving regulatory demands, and maintain their competitive advantage in a dynamic and risk-intensive market.

The Bottom Line: Insurers cannot ignore technical and process debt and must take action if they hope to remain relevant.

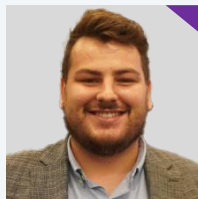
For insurance executives, the message is clear: inaction is not an option. The \$200 billion in technical and process debt represents both a challenge and an opportunity. Those who take incremental steps to modernize will position their organizations as leaders in an increasingly digital and data-driven industry. That doesn't necessarily mean a complete replacement of legacy operating methods. Still, insurers should take inspiration from the London Market transformation by adopting incremental modernization—and leaning on the power of ecosystems. Insurers should begin with a strategic assessment and consider partnering with a proven leader such as DXC to navigate this complex, essential transformation journey.

HFS Research authors



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As chief research officer for HFS Research, Tony Filippone spearheads the strategic research initiatives that shape the future of enterprises and technology ecosystems worldwide. Under his leadership, the global analyst team delivers groundbreaking insights that drive innovation and efficiency, solving the complex problems organizations face.



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Sam Duncan is a practice leader for HFS Research, based in Cambridge, UK. He graduated from Bournemouth University with a degree in economics. His interest in macroeconomics focuses on how the evolution of technology accelerated globalization. He also studied law, accounting, and investment management.

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