The Trouble with Legacy Systems

An Insurance Executive's Challenges and Options

OnBase®
a hyland software solution

What Are the Other Options

Speed of delivery

Given the vast amount of data stored in legacy systems, replacements are rarely rolled out quickly. Because the legacy application has been in use for even as little as, say, 20 years (and that may be on the low end for many insurers, as many insurance legacy systems have been in place for 30 or sometimes even 40+ years), extracting that data and finding a way to integrate it into the new replacement may not be such an easy task and often requires extensive custom coding. Purely data-driven, legacy systems are great at outputting numbers and reports, but finding a way to use that data so that it makes good business sense often requires great data analysis to integrate multiple legacy systems.

Often, migration and integration efforts are secondary to another problem organizations frequently face when implementing a replacement. Custom coding not only limits business agility to integrate with systems and processes, it also takes a lot of time and money. In such a competitive industry and difficult economy, insurers need a solution that can be implemented without hassle or excessive cost. Complete replacements procmise neither.

Although a complete replacement may sound ideal in theory, completing all of these steps takes much longer than many insurers realize when the project begins. In addition to time, the analysis and customization required to get the system up and running is costly. Certainly, there may be times when a complete replacement is the prudent option, but given today's economy, no insurer can be harmed by considering all available options to making legacy system—and more importantly the data stored in them—viable again.

Build a solution yourself

You may consider keeping the problem of how to manage your legacy systems in-house and opt to build a solution (e.g., a wrapper, a new front-end or even a complete replacement) yourself. Here are the benefits and risks to this idea:

Benefits:

Business control:
When you build a solution internally, you have complete control to match your organization's exact processes and expectations.

Data control:
An internally-built solution also guarantees strict control over your data and corporate intelligence as it existed in the past and going forward.

Risks:

Time intensive:
Like any other major IT project, building a solution yourself will take a lot of time, but for this undertaking you will be responsible for every last detail.

Staffing:
Meeting minimum staffing requirements can be a problem for many insurers who opt to build their own solution—after all, if it's difficult to find enough people to maintain existing technology, it may be near impossible to dedicate enough people to building a new solution.

Difficult interdepartmental communication:
Because business users will depend on whatever solution you build, their input and involvement is critical. Unfortunately, scheduling meetings for internally led projects is often more susceptible to roadblocks or interference than those led by an outside force.

Cost:
Although you have internal control of every element, this can sometimes overcomplicate needs and requirements, which drives up cost.

There are many options to resolve pains caused by legacy systems. However, some potential solutions come with higher risks and benefits than others.

Buy a component and scale out as needed

With IT budgets shrinking and the global economic picture in question, it may seem to make good fiscal sense to fix only what is absolutely required and push other issues to the back burner. With some clear advantages, this option doesn't come without concerns:

Benefits:

Potentially inexpensive:
Depending on the scope and severity of your most urgent problems, buying a component could be inexpensive in the short-term.

Quick fix:
Also depending on the issue at hand, you may have a solution to a simple problem up and running in weeks instead of months or years.

Risks:

Scalability:
Depending on what product and vendor you select, future growth and integrations may be severely limited if at all possible.

Increased silos:
If every department is permitted to purchase a product to solve their most immediate need(s), an organization may wind up with a bunch of single-point solutions that can neither accommodate growth nor interface with each other.

Potential extensive coding:
Assuming the goal is to not only solve an immediate business need, but to reuse the data from existing legacy systems, the necessary interfaces are often built as one-offs and require extensive custom development and testing.

Performance issues:
If an insurer relies on its ability to weave together a collection of unrelated solutions, performance troubles will likely result. With multiple products and solutions from multiple vendors, it is likely that the ultimate system will more resemble a Frankenstein than a trusted, high-performing enterprise solution.

Do nothing

It might be tempting to simply ignore the problem and hope it goes away or at least doesn't worsen. But refusing to make necessary changes will only make the situation worse in many ways.

Benefit:

Cost avoidance:
The sole benefit to ignoring the problems of your legacy systems is saving money in the very short-term.

Risks:

Lost opportunities:
Doing nothing about the problems caused by aging legacy systems prohibits an organization's ability to compete. This is akin to admitting that response times will be slow and your competitive edge will be lost.

Security and compliance concerns:
Never mind the security of your e-mail system or your agent portals, if your core business systems are unsecure, your entire organization is at risk.

Increased long-term cost:
Doing nothing to improve your legacy system drives up costs in multiple areas, including:

- Recurring license fees.
- Hardware maintenance.
- Facilities costs—housing a mainframe typically costs 10 percent more annually than a server environment.
- Staffing costs—costs for maintenance programming staff is higher because programmers are usually more experienced and finding their unique skillset can be difficult.

Consider ECM

Although there are risks and rewards associated with the above options, an option often overlooked is ECM. A truly enterprise opportunity, ECM affords not just the IT staff and a segment of business users opportunities, but because of its ability to facilitate bi-directional information exchange with insurance core systems as well as other external channels, ECM can positively impact an entire organization.

Reasons not to overlook ECM:

Decreased risk:
By keeping existing data and users in a familiar environment, project and organizational risk is lessened.

Enterprise agility:
ECM emphasizes configuration, not customization, so changes can be made more rapidly in response to everything from a catastrophe to an employee calling in sick.

Consistency:
ECM allows an organization to enforce consistent business practices. By ensuring every step of a process is completed and that the process follows a consistent and logical path, the organization will increase the overall accuracy rate of the process.

Automation:
ECM gives an organization the ability to keep existing business logic they rely on today and modify it as needed to further automation.

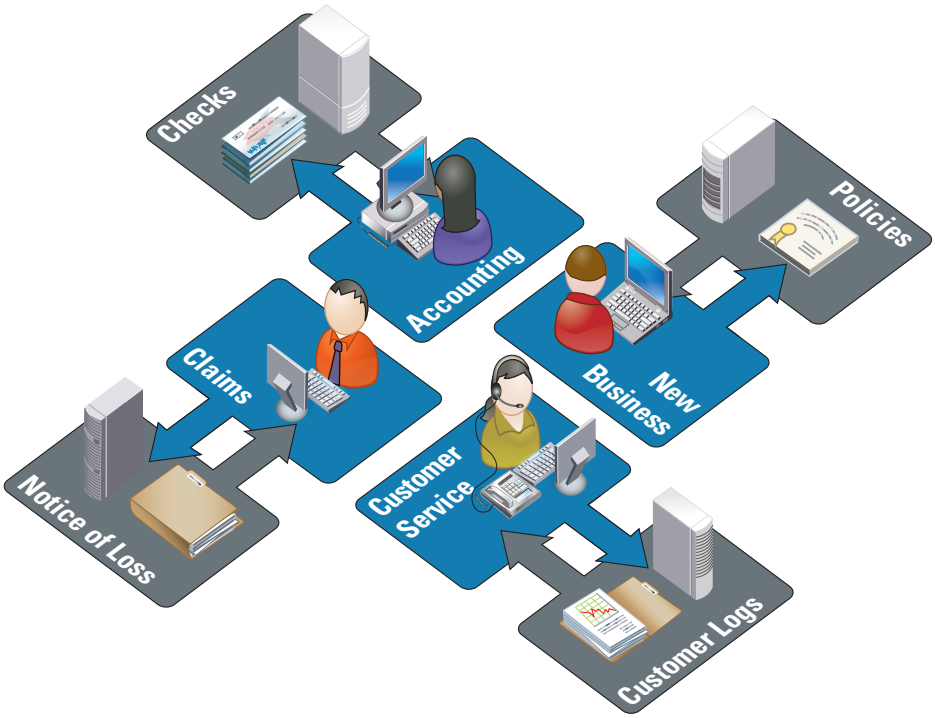
Scalability:
ECM allows an organization to start small and grow as needed without concern that future integrations won't work.

User acceptance:
ECM keeps users in the same familiar environment they use today with additional features, so organizations do not incur major training time or cost.

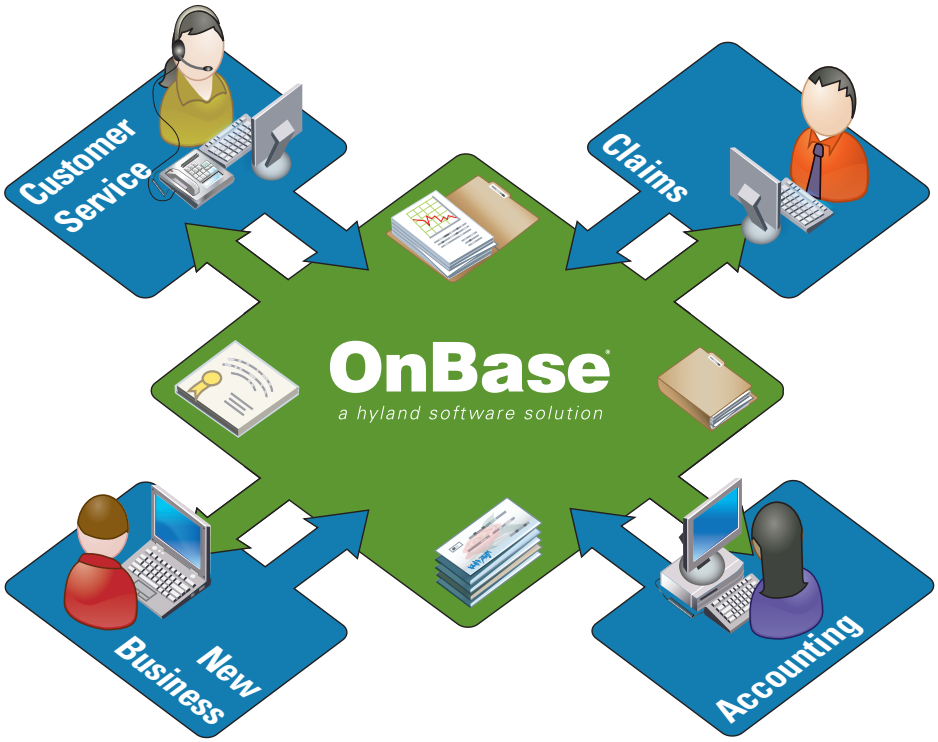
Lower cost:
ECM is the most cost effective option for both the short and long term.

Flexibility:
ECM can change in response to technology and business and allows an enterprise to ensure its best position for the future.

Modern technology:
ECM relies on Service Oriented Architecture (SOA), so your infrastructure can be built on applications you use today as well as ones you'll use in the future.



Currently, most insurance organizations day-to-day operations occur in a siloed environment. Each department relies on individual processes and repositories with little or no information sharing across departments.



With an ECM solution, such as OnBase, insurance organizations can share related information across departments. This knowledge sharing promotes collaboration and frees employees to spend time on work that brings value to the organization instead of recreating work that has already been completed or searching for information that exists elsewhere in the company.

Easing Legacy System Pains

Perhaps the greatest advantage of ECM solutions as they relate to legacy systems is that there are multiple interface points. That is, a single ECM solution can facilitate data flow across an organization and its multiple departments and through multiple LOB legacy systems. Regardless of the business department affected or the solution needed, ECM can tie multiple legacy systems together allowing the related data in each application to drive the processes.

For example, an insurer may have separate legacy systems that drive its policy administration, claims and accounting functions. As previously discussed, these behemoths rarely, if ever, allow the sharing of data between systems which results in a siloed business community that drives up costs and drives down productivity. By implementing a single ECM solution, the insurer can harness the common data within each system and allow shared information to facilitate document and process flow across the organization—not just in one department.

As a result of implementing ECM to tie legacy LOB systems together, the entire insurance enterprise experiences the following benefits:

- Increased business user productivity and morale
- Decreased costs and increased visibility for IT
- Modernized technology that goes beyond document imaging to harness business knowledge enterprise-wide
- A lean organization resilient to market conditions

Increased business user productivity and morale

One of the greatest beneficiaries of implementing ECM is business users. Because of the siloed nature of legacy LOB applications, business users are often forced to search outside of them for data that would be at their fingertips in an ECM solution.

For example, a policy services representative may be reviewing an insured's renewal application. In order to accurately assess the application, the representative may need to consult accounting information to determine if the insured has made timely premium payments and claims information to assess risk. In a traditional policy administration legacy application, accounting and claims information would not be available, so the user would have to find other means—most often manually digging through physical file cabinets and folders—to track it down. Or, users may even have to engage co-workers in other departments to obtain the information, which, in turn, pulls them away from their day-to-day responsibilities.

Further, sometimes business users simply can't find the information they need anywhere, inside or outside of their legacy LOB application. As a result, they often recreate work that's already been done and either physically or electronically retain the replicated data. Not only does this result in lost time but also taxes storage capabilities and increases the legal risk from having multiple copies and revisions of a document working through the organization.

ECM saves time and money by allowing business users to focus on the job they were hired for instead of searching for and recreating existing documents and data. By applying granular user rights, business users have all the information they require to do their jobs in front of them, regardless of where the actual data resides. With all necessary information at their fingertips, business users focus on tasks that bring value to the company and provide them professional satisfaction.

Decreased costs and increased visibility for IT

Built to empower business users, ECM reduces the strain on resource-strapped IT departments, freeing them to focus on more innovative projects instead of maintaining mountains of code. Additionally, because ECM can be deployed in chunks, ROI is attained faster and trust in technology grows.

Comparatively cheap to install and maintain, programming languages used to write ECM solutions also appeal to the next generation of IT workers, thus reducing staffing costs and well as technology costs. As a result of decreased costs and an increased emphasis on IT, the insurer is designed for the future and long-term strength and success of the enterprise is ensured.

Modernized technology that goes beyond document imaging to harness business knowledge enterprise-wide

For better or for worse, when most insurance executives hear the phrase "document management" or read about ECM, the thought that immediately comes to mind is document imaging. While imaging is a component of ECM, to assume that is the sole purpose of ECM is a misnomer.

With multiple configurable interface points accessible by an authorized system, ECM allows insurers to take advantage of SOA standards. However, this does not mean mainframe-based legacy systems are an obstacle to SOA, but can, in fact, be valuable assets to implementing SOA. By integrating the legacy application(s) with an ECM solution, the data and business logic that already exists can be made available as reusable services, which is the driving principle of SOA. (5, Turning Financial Mainframe Applications into SOA Building Blocks.)

With SOA building blocks in-hand, insurance firms can combine the data from legacy systems with the modern technology of ECM to reap great IT benefits. Because ECM facilitates and manages the flow of information to and from all authorized channels—legacy systems included—IT departments experience shorter development cycles, lower maintenance bills and reduced support calls, and they have the ability to automate repetitive manual processes. Moreso than any alternative, these results are most quickly and easily achieved by combining legacy systems with ECM.

Insurance organizations also benefit from a business perspective by pairing the modern technology of ECM with legacy systems. Among the rewards are:

- Business agility—by drawing conclusions and making predictions based on existing data
- Ability to extend channels of opportunity—via the Internet to people in their homes, at stores, at banks and beyond
- Increased market share—as a result of process agility, visibility and new channel development
- Improved service—to customers and employees

With both IT and business reaping gains from the legacy system-ECM solution combination, long-term alignment of the groups will also be a benefit. This will allow the groups to work in tandem with mutual expectations, efficiencies and objectives at hand. Further, unlike any other alternative, an ECM solution paired with a legacy system allows organizations to take control of their future and allows room for modifications in response to internal and external change.

Conclusion

A lean organization resilient to market conditions

Even in a soft market, ECM allows insurers to take advantage of modern technology but with less risk and less cost. By generating near-term measurable results, the entire enterprise prospers, regardless of market conditions.

ECM allows insurance firms to automate low-value, repetitive tasks that are traditionally time-intensive. A benefit in all market conditions, the insurer is then free to use resources on projects that bring the most value.

Additionally, because of its configurability, ECM can help insurers respond to changing demographics, globalization, changes in marketing channels and even catastrophes faster. ECM allows insurers to focus on solving problems and improving processes. A process-centric organization is more successful than those mired in low-value administrative tasks. All of this means insurers can strike a balance between managing risk and adding functionality to make an agile, customer-focused organization that is differentiated from its competition.

The industry is embracing change now more than ever before. Insurers are varying their processes and corresponding technology to remain competitive, while minimizing organizational risk. Utilizing ECM in concert with existing legacy systems provides the best opportunity for insurers to harness the knowledge of their history while ensuring success for the future. Insurers should look for an ECM solution with a development interface designed to empower business users to solve problems across LOB applications. If accomplished, the insurer will have found a way to not only automate processes and ease immediate business pains, but guarantee future success.

About Hyland Software

Hyland Software Inc. is the developer of OnBase, a rapidly deployable suite of enterprise content management (ECM) software applications. Implemented as a premises-based solution or via software as a service (SaaS), OnBase provides the capabilities necessary to meet transactional content management needs enterprise-wide. OnBase's core functionality includes document imaging and management, workflow/BPM, integration with LOB applications, COLD/ERM and records management. OnBase allows organizations to manage all digital content, including scanned paper documents, e-mails, faxes, print streams, applications files, e-forms, Web content and multimedia files.

OnBase is used by businesses and government agencies around the world to reduce the time and cost of performing important business functions and address the need for regulatory compliance through the management, control and sharing of digital content with employees, business partners, customers and other constituencies.

For More Information

A Hyland Software account manager or an Authorized OnBase Solution Provider can provide additional information on the benefits of OnBase to the insurance industry. Additional information is also available at **www.OnBase.com/insurance**.

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time to make a difference.

Get more information out of existing business applications. Empower your IT staff to become business enablers instead of system administrators. Reduce, even eliminate, wasteful, redundant tasks. Now you can spend your time on the things that really matter. That's effective document and process management.

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