From Run to Reinvention: How Insurers Are Reshaping IT Spend to Fund the Future

Executive Summary

Legacy cost, not budget, is the real constraint on transformation

Insurance organizations are under pressure to transform — but the majority remain trapped in legacy IT models that consume budget before change can begin. For 93%, the majority of IT budget is skewed toward run costs, but real budget growth is expected for most and for 23% anticipating increases of 10% or more. Combined with additional budget reallocation from savings, technology transformation is gaining momentum.

But barriers to reallocation are significant and mutually reinforcing. Legacy system costs are the primary obstacle, cited by 65% of insurers, but regulatory pressures, vendor lock-in, limited internal capacity, and uncertain ROI compound the challenge.

In response, insurers are focused on simplifying the IT estate — through application rationalization and cloud cost optimization (52% each) and automation (47%) — to release the budget transformation requires. Operating models are also evolving, with vendor consolidation driven by 68% citing TCO reduction, and 36% planning to adopt Global Capability Centers in the next fiscal year.

As savings are realized, insurers face a broad and competing reinvestment agenda: AI and cybersecurity lead at 52% each, followed by digital experience (44%) and core system transformation (43%). Funding this multi-track agenda makes cost efficiency increasingly urgent — and success will be measured not by revenue growth, but by operational efficiency (89%) and run cost reduction (65%).

Key Insights

Legacy costs continue to hold back insurance transformation

- IT budgets remain heavily skewed toward run (58% allocating 65–79%)
- Legacy costs are the primary barrier to change (65%)
- Additional barriers, such as vendor lock-in, reinforce this constraint, creating slow, incremental progress

Budget growth supports optimization - not acceleration

- 77% expect budget increases
- Investment is tightly controlled and directed toward efficiency
- Growth enables prioritization rather than transformation at scale

Cost reduction strategies shift toward structural simplification

- Application rationalization and cloud optimization lead (52% each)
- Automation plays a key supporting role (47%)
- Focus is on long-term complexity reduction

Operating model shifts gain momentum to enable transformation

- Vendor consolidation driven by cost, accountability, governance, and modernization
- GCC adoption is emerging as a key growth area (36% plan to adopt)
- Organizations are refining sourcing strategies rather than replacing them

AI, resilience, and core modernization drive a multi-track transformation agenda

- AI and resilience lead (52% each)
- Core transformation and digital experience remain critical
- Investment is broad-based, not concentrated

Success is defined by efficiency and measurable outcomes

- Operating efficiency (89%) and run cost reduction (65%) dominate
- Revenue impact is secondary for next year, and is a likely long-term objective
- ROI is a key proof point (55%)

Highlights

93%

93% of insurers remain trapped in run-heavy IT models, while 65% say legacy systems are blocking transformation

77%

IT budgets are rising for 77% of insurers, and combined with budget reallocation will drive IT transformation

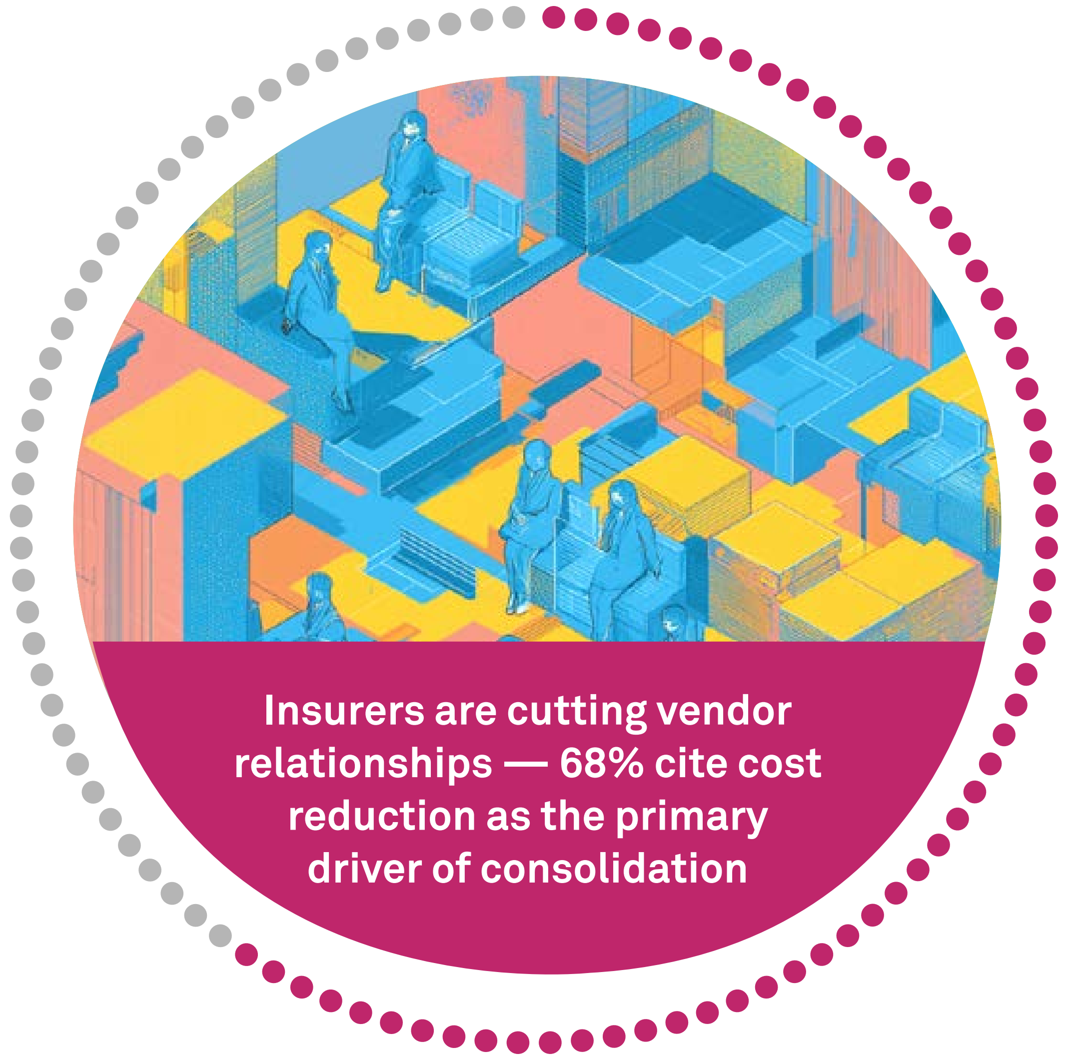
52%

52% of insurers are turning to structural cost cuts as efficiency pressures intensify

The GCC moment has arrived:

36% of insurers plan to adopt Global Capability Centers in the next fiscal year, reflecting the emergence of GCCs as Global Value Centers, where success is measured by the business outcomes they create through growth, innovation, and transformation.

36%



AI and cybersecurity top insurers' reinvestment lists at 52% each — but spend is scattered across six priority areas, raising questions about focus and delivery

89% of insurers judge transformation by efficiency, not growth

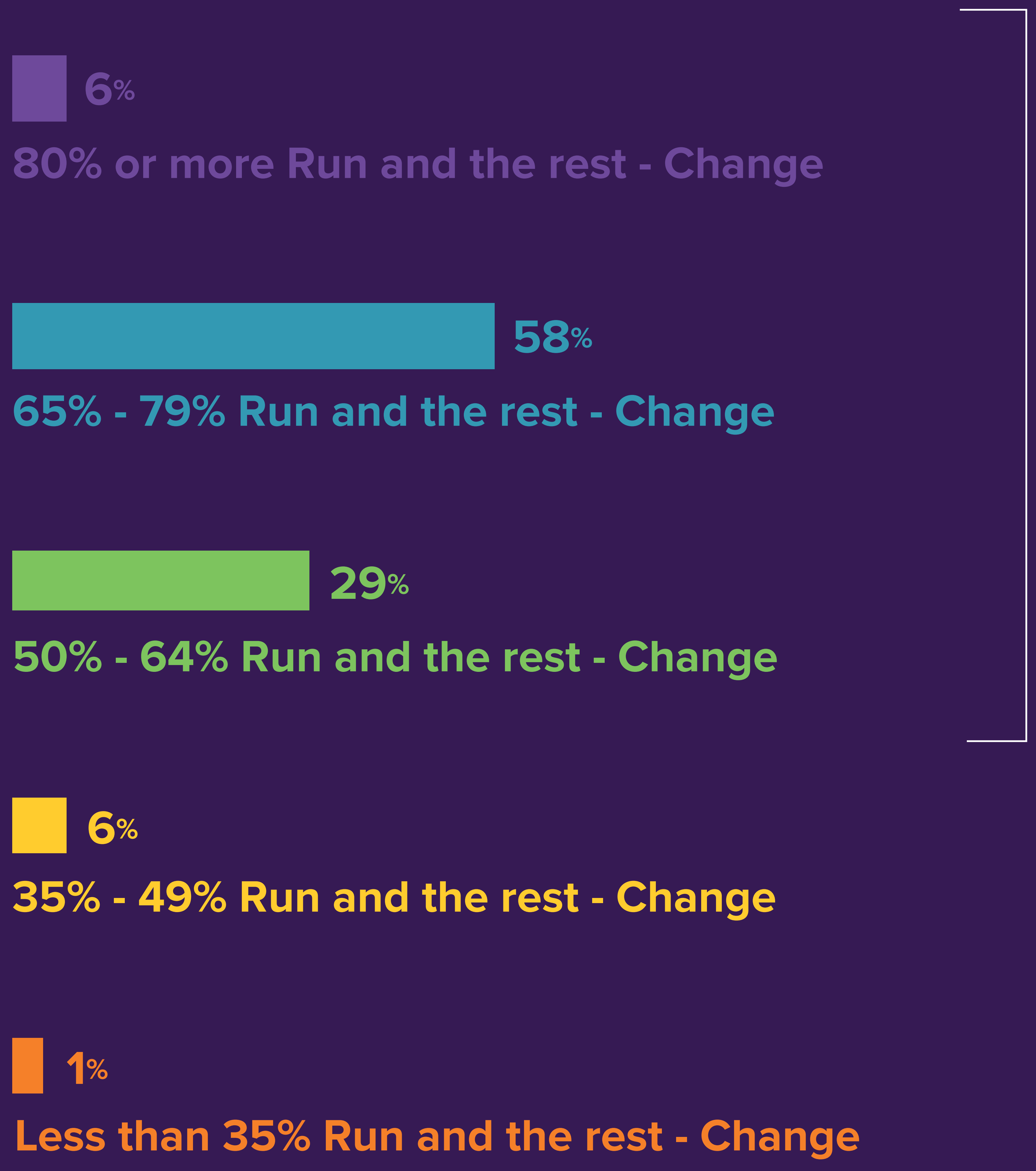
Insurers' run costs are crowding out transformation capacity

Insurers are still operating IT systems with a structurally high run-cost base, with only 7% spending more on change programs than run costs.

The overall majority (58%) allocate between 65–79% of IT budgets to maintaining existing systems.

This level of run spend is blocking insurers from funding large-scale transformation. Distinguishing between structural spend locked into legacy contracts and core systems, and optimizable spend that can be reduced with the right levers, is the critical first step toward meaningful reallocation.

The cost of maintaining legacy estates is the main blocker of IT transformation.



93% of insurers' IT costs are heavily skewed to "Run"

Among smaller, more agile companies (<$1m),"Run" costs proportion decreases to 80%

Single Code question / Sums may vary due to rounding

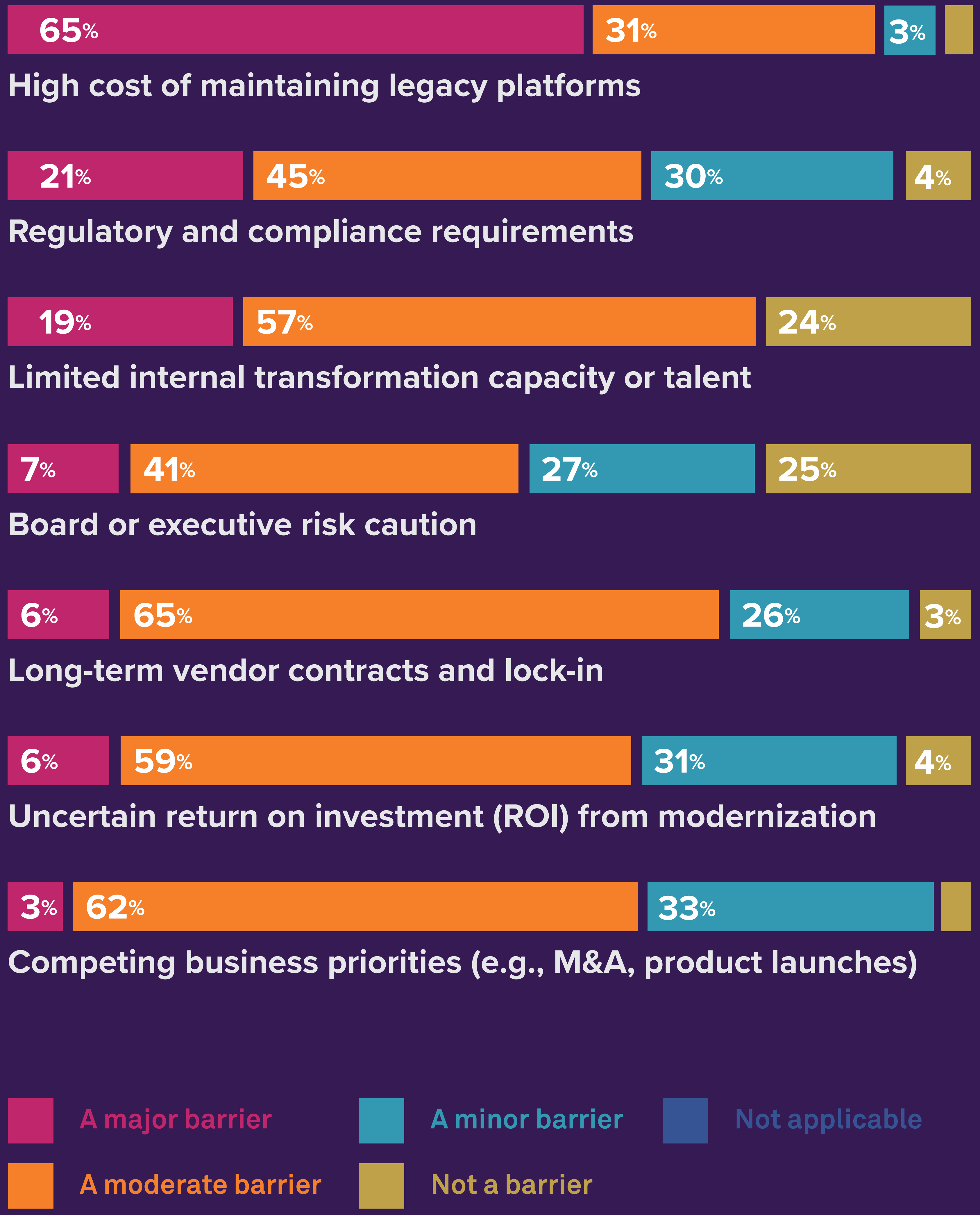
Q1. Thinking about your organization's total Information Technology (IT) budget for the current fiscal year, or the next fiscal year if already known, how is it allocated between 'Run' and 'Change'? Base: All = 100

Transformation is stalled by systemic, not isolated, constraints

The cost of maintaining legacy systems is the greatest barrier to shifting budget toward transformation, with 65% identifying this as a major constraint.

But this is not the only challenge. Regulatory requirements, limited internal capacity, vendor lock-in, uncertain ROI, and competing priorities are all widely cited as moderate or major barriers. This creates a cumulative effect, slowing the pace of change despite clear intent.

Legacy platform burden hits hardest, but transformation is constrained by multiple reinforcing barriers.



Single Code per row question / Sums may vary due to rounding

Q7. To what extent are the following barriers preventing faster reallocation of budget from Run to Change Base: All = 100

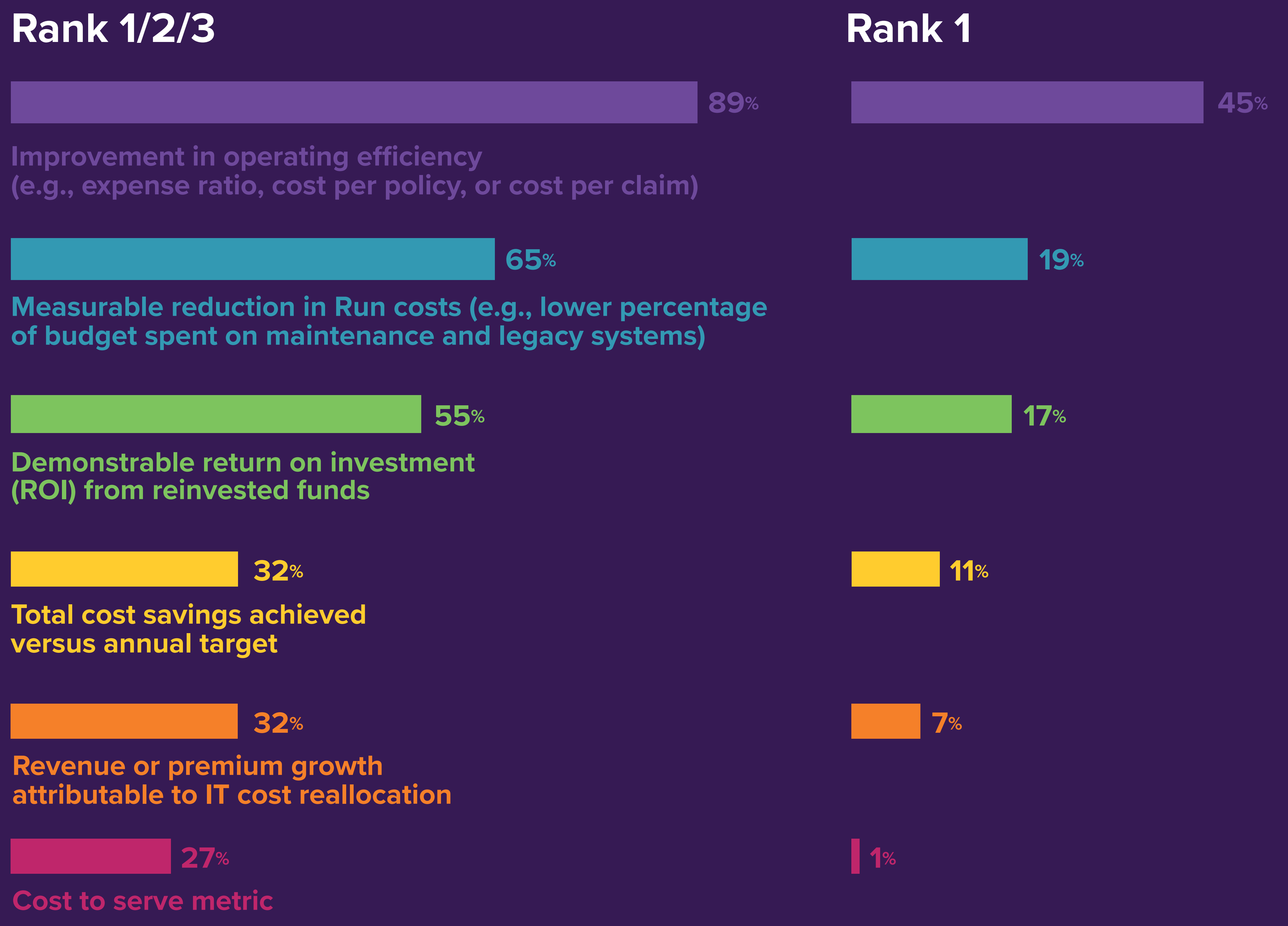
Efficiency is improving but competitive advantage remains unclear

With legacy system run costs dominating IT budgets and blocking fund reallocation, insurers know they need rapid change.

The greatest wins come from increased operating efficiency (89%) and reductions in run costs (65%). Demonstrable ROI from reinvested savings (55%) is also an important success marker.

Metrics linked to revenue growth (32%) or cost-to-serve (27%) are less prominent, with efficient internal performance having a greater impact than external growth outcomes.

Operational efficiency gains are the engine of transformational success.



Ranking question / Sums may vary due to rounding

Q8. What metrics best define success for your organization's IT cost savings in some areas and reinvestment into others in the next fiscal year (Rank 1 = most important). Rank 1/2/3 or Rank 1   Base: All = 100

"If the majority of spend remains tied to run, transformation outcomes will be difficult to achieve - insurers need to better align investment with the results they expect to deliver."
– Naresh Ramaswamy, Head of Insurance Industry Consulting, Wipro

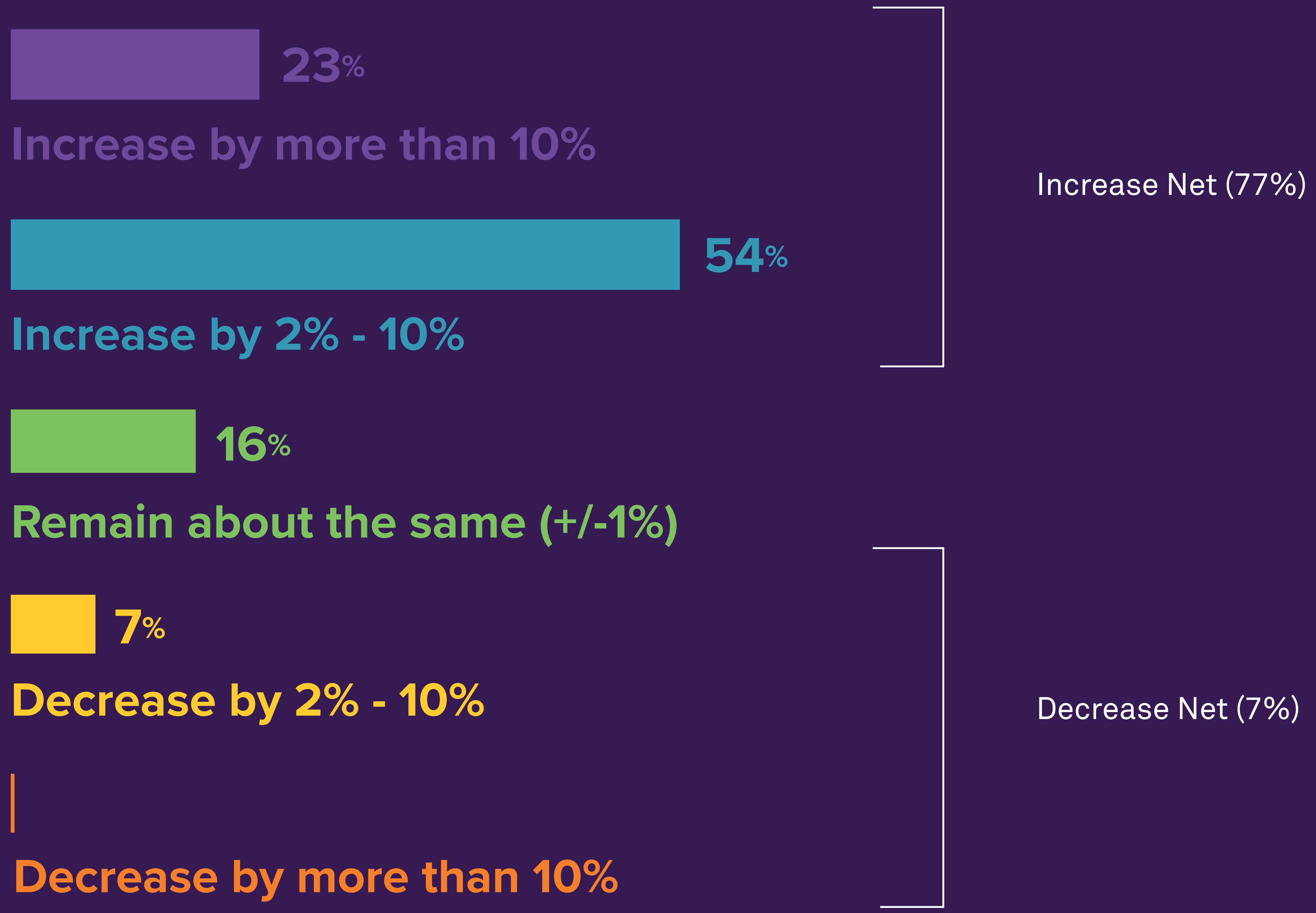
Budget growth is not translating into transformation power

Nearly eight in ten insurers (77%) expect IT budgets to increase, but this growth is largely incremental, with over half (54%) anticipating rises of 2–10%.

A smaller group (23%) expect more substantial increases, while very few foresee budget reductions (7%).

This stable but cautious investment environment means that additional funding is unlikely to fundamentally shift existing constraints.

Budget increases will support optimization and prioritization - not wholesale transformation.



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Q2. How do you expect your overall IT budget to change in the next fiscal year compared to the previous? Base: All = 100

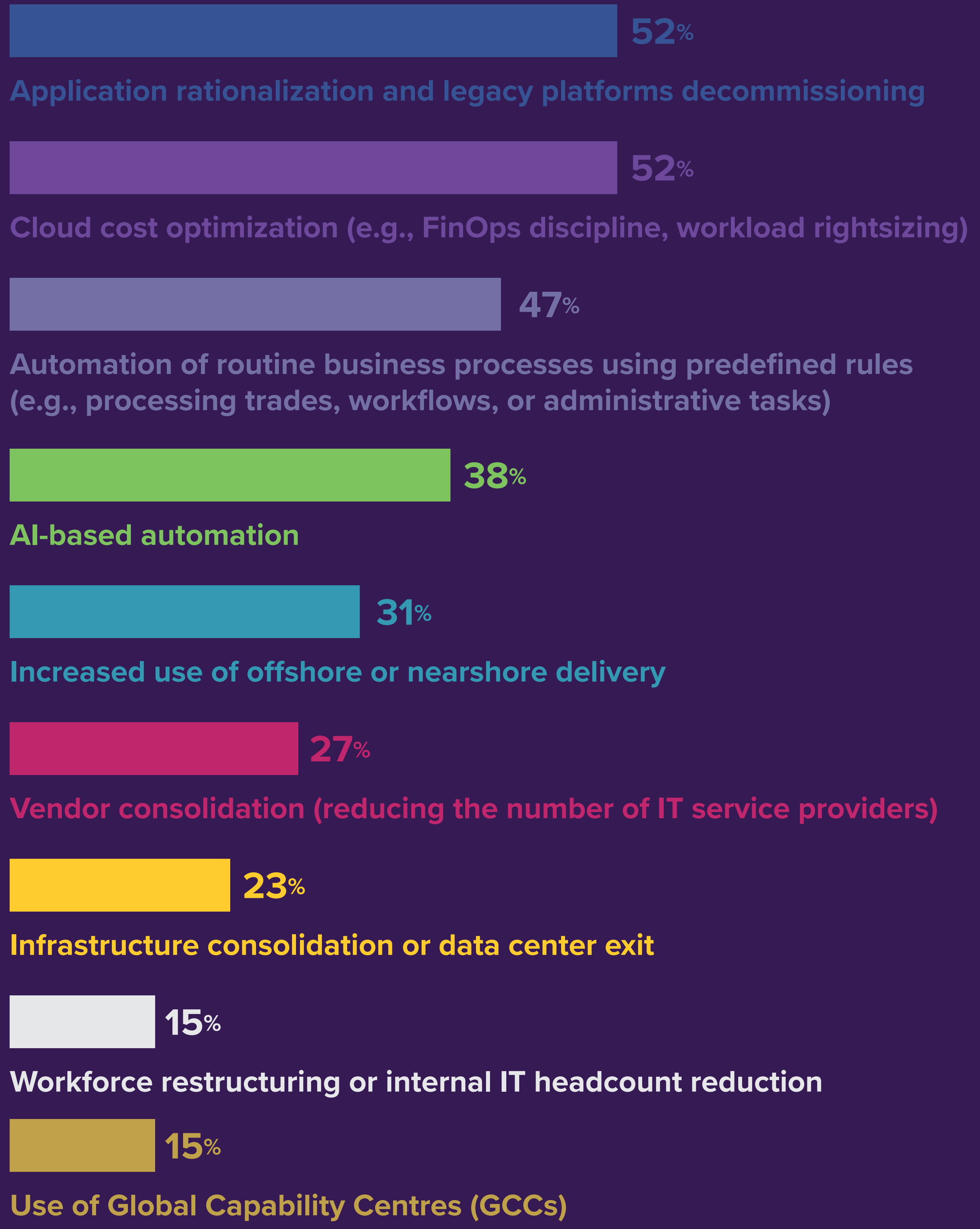
"IT budgets aren't the real constraint - many insurers are being asked to do more with the same or less. The challenge is shifting spend away from run costs to fund transformation, turning efficiency into self-funded innovation."
– Naresh Ramaswamy, Head of Insurance Industry Consulting, Wipro

Organizations are optimizing at the edges, not fixing the core

Cost reduction strategies are centered on simplifying the IT estate, led by application rationalization (52%) and cloud cost optimization (52%), followed by automation of routine processes (47%).

Secondary levers include AI-based automation (38%) and offshore delivery (31%). Leaders are focused on reducing complexity and inefficiency at scale, rather than relying on short-term or tactical cost-cutting measures.

Insurers are prioritizing sustainable cost transformation over tactical, one-off savings.



Ranking question / Sums may vary due to rounding

Q3. What are the top three priorities for your organization to reduce IT costs in the next fiscal year (Rank 1 = top priority)? Rank 1/2/3Base: All = 100

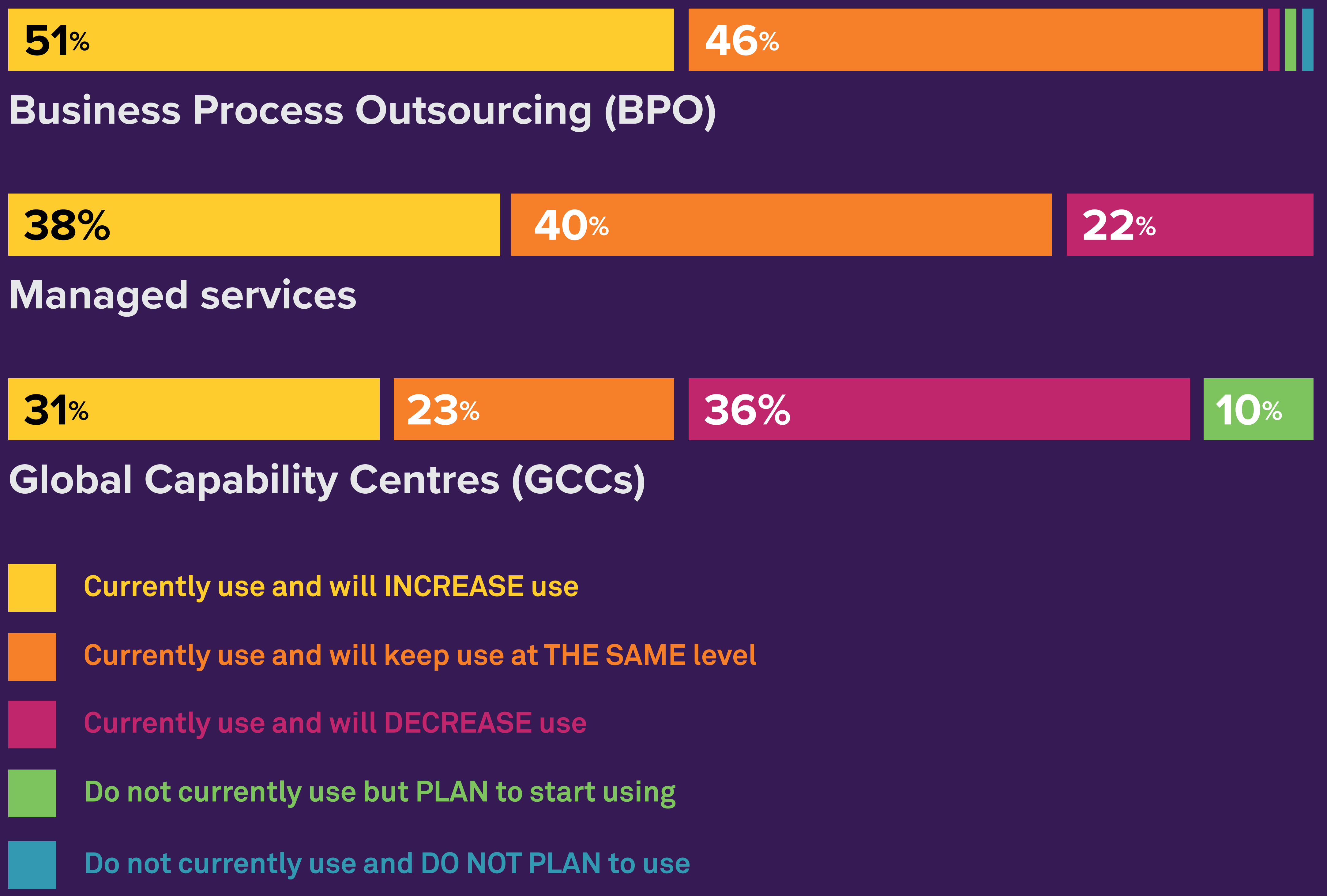
Operating models are shifting but not yet at transformative scale

Insurers are making targeted adjustments to their operating models, with GCCs showing strong momentum. Over a third (36%) plan to adopt GCCs in the next fiscal year.

This suggests insurers are becoming more intentional about which model serves which purpose. For organizations with the operating scale to support it, GCCs offer cost efficiency and greater control of strategic capabilities, particularly for functions like software engineering and data and analytics, where institutional knowledge compounds over time.

For smaller scale organizations, managed services and BPO continue to offer the right balance of flexibility and expertise.

Vendors can provide the expert guidance organizations need to move with the market and set up efficient GCCs.



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Q4. To what extent is your organization changing its use of managed services, Business Process Outsourcing (BPO), or Global Capability Centers (GCCs) to reduce IT operating costs in the next fiscal year? Base: All = 100

Wipro's BOT-led GCC transformation for a global investment bank delivered $55M in cost savings and a 46% cost reduction.

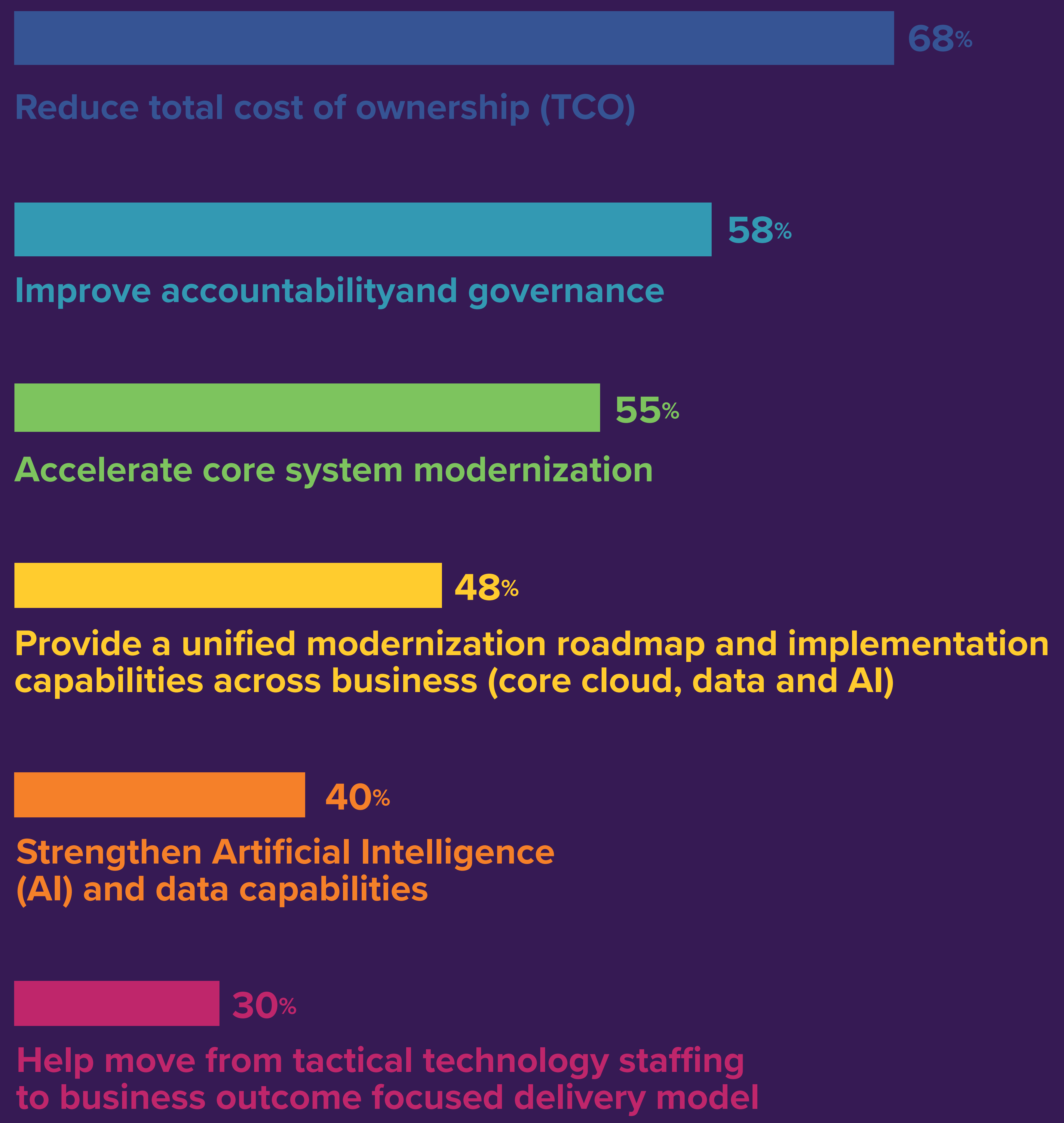
By automating at scale, with 81 bots processing 18,000 transactions daily, the firm significantly improved efficiency and operational performance.

Vendor count is a lever, not the goal

Vendor consolidation is driven primarily by reducing total cost of ownership (68%) and improving governance and accountability (58%) — but these are outcomes, not consequences of cutting vendor numbers alone.

Accelerating core modernization (55%) and accessing integrated capabilities across cloud, data, and AI (48%) reflect a broader ambition: to work with partners who deliver measurable results. The risk of consolidation without governance is trading one form of complexity for another.

Insurers need to focus on outcomes rather than vendor count to build the strategic partnerships transformation requires.



Ranking question / Sums may vary due to rounding

Q5. What are the top three objectives driving IT vendor consolidation within your organization (Rank 1 = most important)? Rank 1/2/3 Base: All = 100

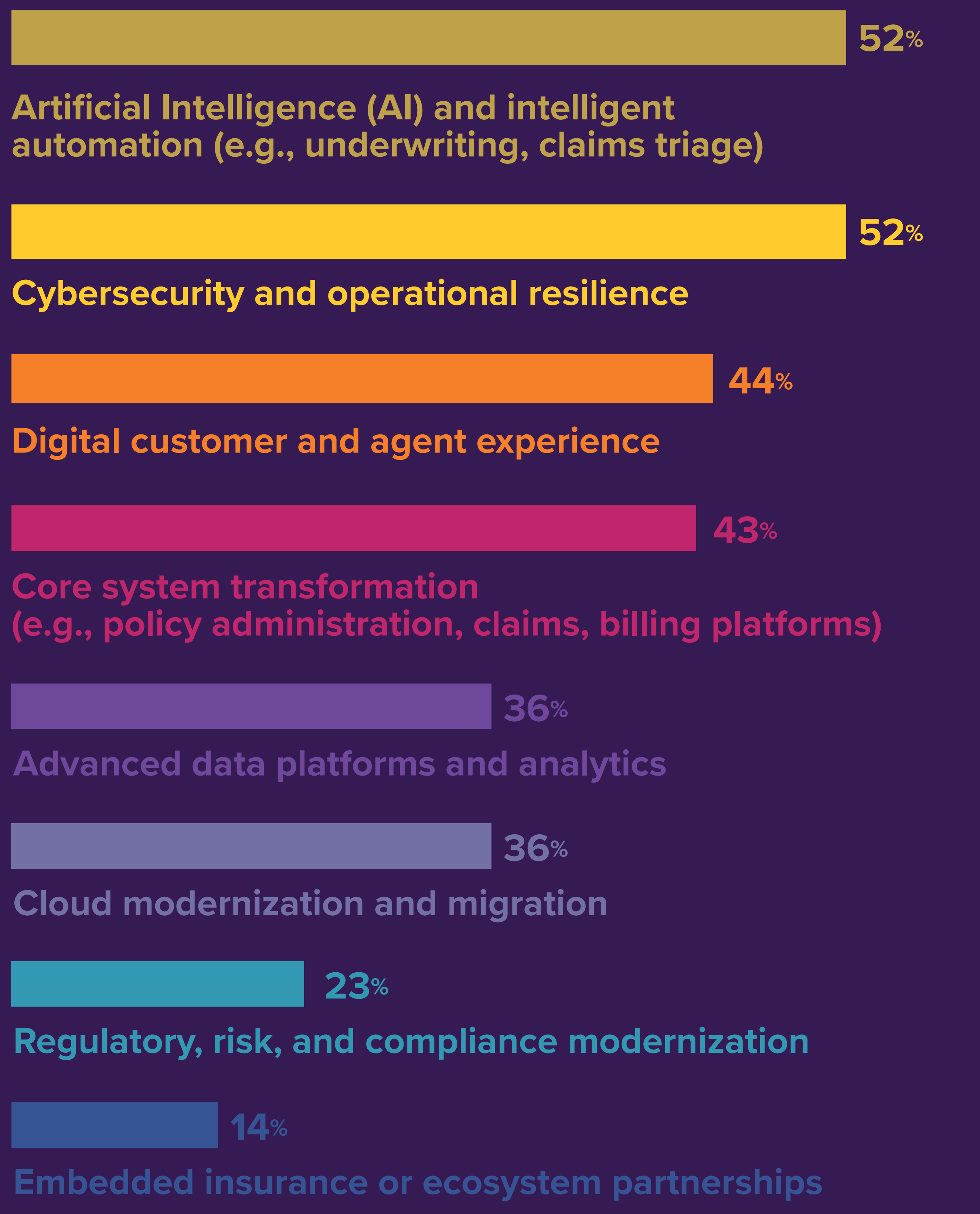
Investment is broad but impact risks being diluted

AI and cybersecurity lead reinvestment priorities at 52% each, but with firms also balancing a wide range of other priorities, sequencing is a pressing question.

For insurers whose transformation budgets remain constrained by run costs, AI investment directed at operational efficiency delivers an immediate return and generates the savings needed to fund broader change.

With spend currently spread across many competing priorities, the risk is that AI becomes one of many bets rather than the mechanism that makes the others possible.

For run-constrained insurers, AI is not just a reinvestment destination — it is the mechanism that funds the rest.



"As cybersecurity investment peaks in response to current threats, insurers should take a portfolio view of spend - aligning short-term resilience with longer-term transformation outcomes."
– Naresh Ramaswamy, Head of Insurance Industry Consulting, Wipro

Ranking question / Sums may vary due to rounding

Q6. As IT cost savings are realized, what are the top three areas where your organization plans to reinvest in the next fiscal year (Rank 1 = highest priority)? Rank 1/2/3Base: All = 100

Transformation requires structural reset, not incremental change

1 Reduce legacy run costs through outcome-led modernization

93% of insurers are run-heavy; legacy costs are the #1 barrier to reallocation.

2 Drive structural cost efficiency via application rationalization, cloud optimization, and automation

These three levers are insurers' top-ranked cost reduction priorities.

3 Evolve operating models through GCCs and hybrid delivery

36% plan to adopt GCCs in the next fiscal year as a scalable path to cost reduction.

4 Prioritize outcome accountability over vendor count

68% cite TCO reduction as the primary driver of vendor consolidation, but this only delivers if vendors are held to measurable results.

5 Prioritize AI where it reduces run costs first — then reinvest those savings across the broader agenda

For budget-constrained insurers, AI must pay for itself: offshoring, managed services, and managed services with transformation capability are the practical levers for generating the run savings that fund what comes next.

6 Track value rigorously: operational efficiency and run cost reduction are the metrics that matter

89% define success by operating efficiency; revenue impact is a secondary, longer-term objective.

5. Appendix - Research Methodology

Study Detail

Objectives

This project centers on a thought leadership report examining how US insurance organizations are using technology and the challenges they face as they navigate an increasingly constrained budget environment. The research explores how senior technology leaders are reallocating spend from legacy “run” costs towards digital, data, cloud, and AI initiatives, with a particular focus on cost takeout strategies, vendor consolidation, managed services adoption, and reinvestment decisions shaping planning cycles.

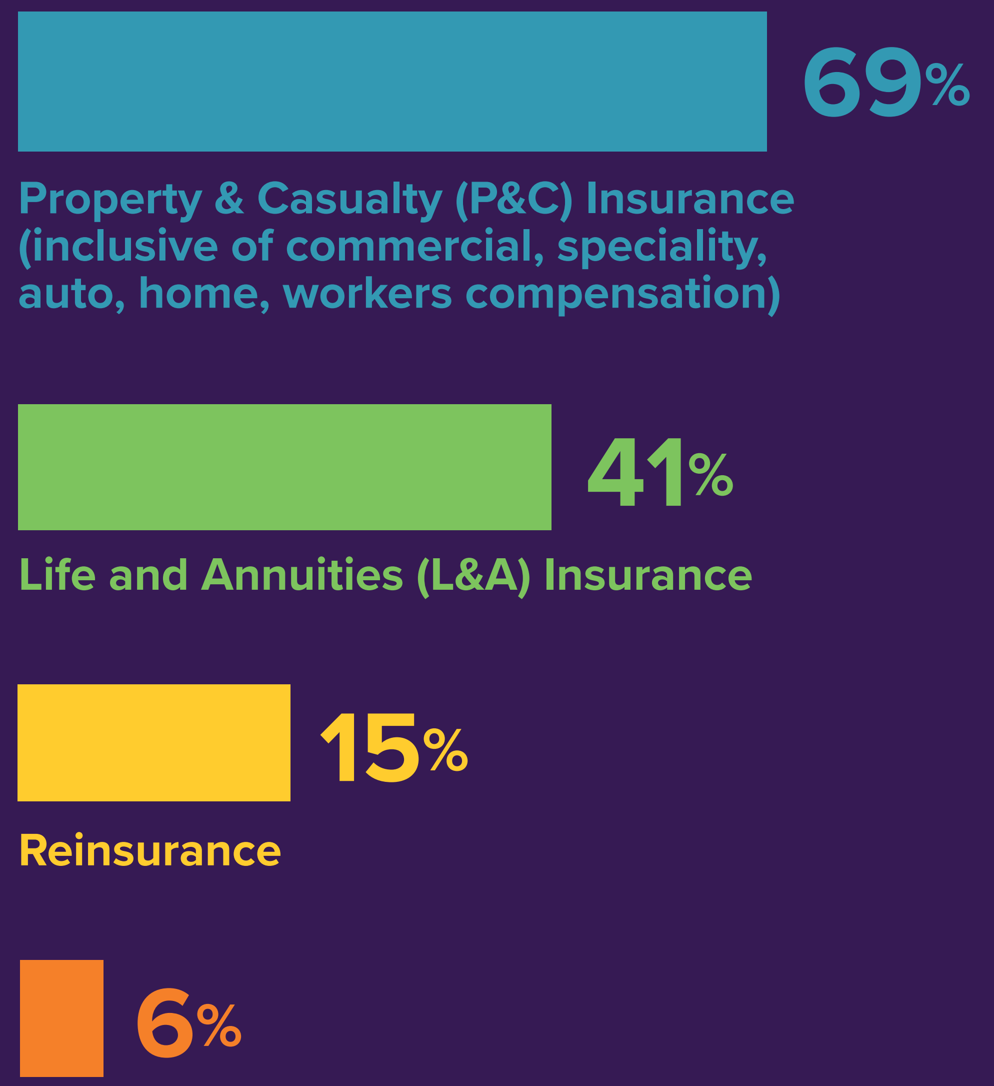
Headquarters
US 100%

Methodology
Phone2Web survey
(n=100 total respondents)

Audience Profile
CXOs and -1/-2 across business functions in Insurance with influence on tech spend

Fieldwork Dates
April 2026

Types of insurance provided

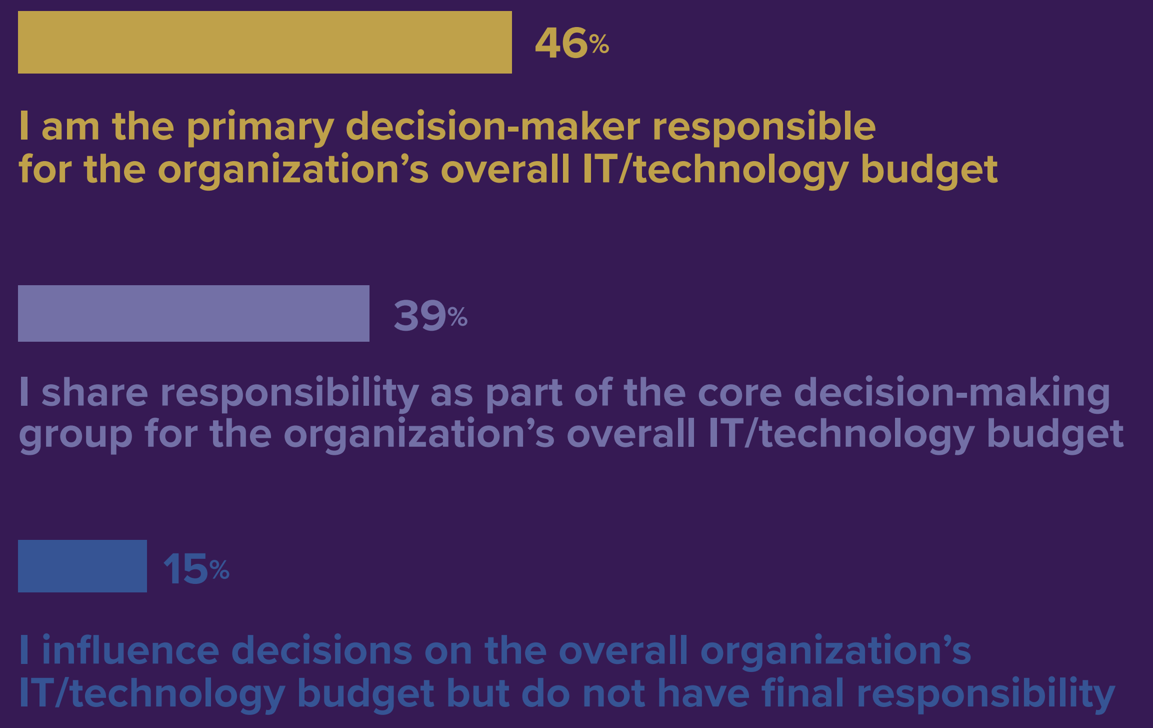


Study Detail

Role

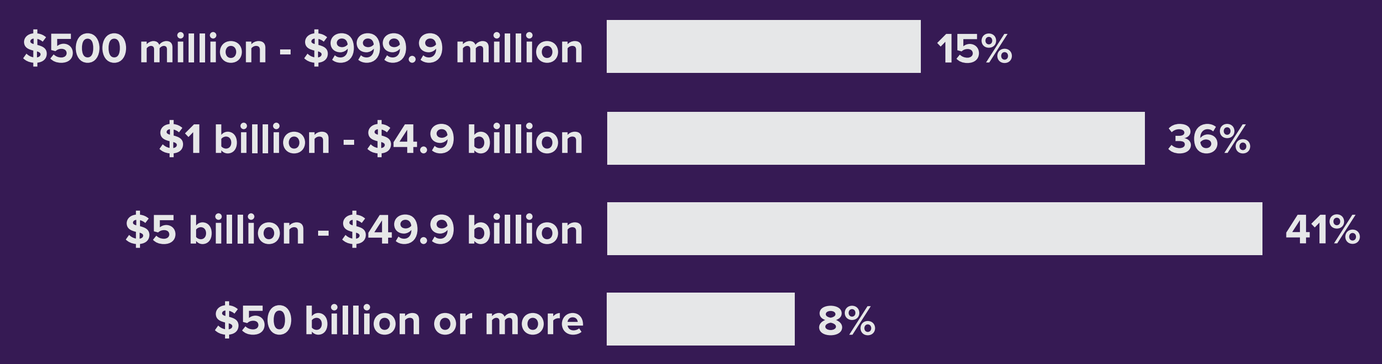
S4. Which of the following best describes your role? Base: All = 100

Role in IT / technology budget



S3. What was your firm's annual net revenue in the last financial year? Base: All = 100
Sums may vary due to rounding

Annual net revenue



S5. How would you describe your role in relation to whole company's IT/Technology spend/budget?
Base: All = 100 / Sums may vary due to rounding

About Wipro Limited

Wipro Limited (NYSE: WIT, BSE: 507685, NSE: WIPRO) is a leading AI-powered technology services and consulting company focused on building innovative solutions that address clients' most complex digital transformation needs. Leveraging our consulting-led approach and the Wipro Intelligence™ unified suite of AI-powered platforms, solutions and transformative offerings, we help clients realize their boldest ambitions to build intelligent and sustainable businesses.

The Wipro Innovation Network – part of the Wipro Intelligence™ suite – underpins our commitment to client-centric co-innovation and co-creation by bringing together capabilities from the innovation labs and partner labs, academia, and global tech communities. With over 240,000 employees and business partners across 65 countries, we deliver on the promise of helping our customers, colleagues, and communities thrive in an ever-changing world. For additional information, visit us at www.wipro.com

About Coleman Parkes

This research was conducted by Coleman Parkes, a full-service B2B market research agency specializing in IT/technology studies, targeting senior decision makers in SMB to large enterprises across multiple sectors globally.

For more information, contact Stephen@coleman-parkes.co.uk

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