Change Management – The Price Of Getting It Wrong

UK Insurance Edition — Why Deferred Modernisation Is A Change Management Decision, Not A Budget Line

A Charterhouse Consultants white paper by Bridget Convey, March 2026.

Executive Summary

This paper makes one claim, applied to UK insurance specifically. The decision to defer modernising core infrastructure is itself a change management decision, and often the most expensive one an insurer will ever make. Lloyd's of London, the world's oldest and most prestigious insurance market, has calculated the ongoing cost of its own ageing, disconnected technology at over £800 million a year, roughly 3 percent of the entire market's operating costs, driven by what the Corporation itself describes as a plethora of duplicated processes, repeated rekeying of data, and manual checking to correct errors that better-integrated systems would never produce. The fix, a £300 million investment known as Blueprint Two, targeting technology nearly thirty years old, has already been delayed to 2028. This paper argues that in insurance, the true cost of change is rarely the cost of doing it. It is the compounding, largely invisible cost of not doing it, year after year, until the bill becomes too large to ignore.

The Premise: The Gap Is The Danger, Not The Modernisation Itself

No insurer sets out to run on thirty-year-old technology. The gap opens gradually: a system that was cutting-edge decades ago is patched rather than replaced, integration between policy administration, claims, and finance systems is handled through manual workarounds rather than genuine architectural change, and each year the cost of continuing to defer proper modernisation compounds against the cost of finally doing it. Lloyd's own market-wide analysis found this pattern operating at the scale of an entire global insurance market: duplicated data entry, manual reconciliation, and error correction that exists purely because underlying systems were never properly connected. This is the change management gap this paper is built on, playing out not as a single failed project but as a slow, cumulative tax on every transaction the market processes.

Data migration research across the insurance sector shows how consistently this gap opens even in single-institution projects, let alone market-wide infrastructure. Industry analysis finds 54 percent of insurance data migrations run late and 74 percent go over budget, rising to 61 percent over time specifically for migrations involving ten million or more records. The consistent root cause identified across these projects is the same one Lloyd's own diagnosis points to: migration and integration work is treated as a technical afterthought behind the headline system replacement, rather than the strategic gate that actually determines whether the new system delivers any value at all.

Lloyd's Own £800 Million Answer

Lloyd's is uniquely positioned to answer the question of what deferred change actually costs, because the market has calculated it directly rather than estimated it after the fact. The Corporation's own description of the problem, a plethora of duplicated processes involving repeated rekeying of data and manual checking of records and entries to correct errors, is not a hypothetical risk. It is the current, ongoing operating reality across one of the world's most important insurance markets, estimated at over £800 million annually, roughly 3 percent of total market operating costs, simply to compensate for infrastructure that was never properly modernised or integrated.

The response, Blueprint Two, represents a genuine attempt to close the gap: a £300 million investment specifically targeting technology approaching thirty years old. Its delay to 2028 illustrates a second, equally important lesson for this paper. Even when an organisation has correctly diagnosed the cost of deferred change and committed real capital to fixing it, execution discipline determines whether that investment actually closes the gap on schedule or simply pushes the cost further into the future. A £300 million fix delayed is not a neutral event. Every year of delay is another year the underlying £800 million annual cost continues to accrue, compounding the very problem the investment was meant to solve.

The Evidence: Post-Merger Integration Is Now The Sector's Fastest-Growing Risk

M&A Activity Is Accelerating Faster Than Integration Capability

UK insurers are currently redirecting substantial technology budgets toward post-merger integration and data migration following a wave of major market consolidation deals. Industry analysis warns that inaccurate or delayed data migration during M&A can trigger operational disruption, regulatory exposure, service issues, and material delays in capturing the value a deal was supposed to deliver in the first place. Integration specialists are explicit that successful post-merger data migration depends on deep institutional knowledge and genuine cross-team collaboration, precisely the change governance capability this paper argues is chronically under-resourced relative to the pace of the deals themselves.

Regulatory Tolerance For Deferred Modernisation Is Falling

UK operational resilience regulation now requires insurers to demonstrate they can recover core business services within defined impact tolerances following an IT failure or cyber-attack, a requirement that has been fully in force since March 2025. This shifts deferred modernisation from a purely commercial risk into a regulatory one: an insurer relying on ageing, poorly integrated systems is no longer simply accepting an efficiency cost, it is accepting a resilience risk regulators now actively assess and can act on directly.

UK Insurance In Three Horizons: The Gap Closes Or It Does Not?

Two Years: 2026 To 2028

What happens everywhere: Lloyd's Blueprint Two programme continues toward its delayed 2028 target while individual insurers accelerate their own core system and post-merger integration work in parallel.

- Thrive path. Insurers treat data and systems integration as the primary determinant of deal and modernisation success, resourcing it as a named, senior-accountable workstream rather than a technical dependency.
- Die path. Insurers continue prioritising the headline system replacement or acquisition over the integration work underneath it, and the sector's 54 percent late and 74 percent over-budget migration statistics persist unchanged into the next cycle.

Five Years: 2028 To 2031

What happens everywhere: Blueprint Two either delivers against its rescheduled 2028 target or faces further delay, with direct consequences for whether Lloyd's £800 million annual cost of fragmentation begins to fall.

- Thrive path. Blueprint Two's delivery becomes the evidence base the wider UK insurance market uses to justify its own modernisation investment, having demonstrably converted deferred cost into recovered value.
- Die path. Further delay entrenches the £800 million annual cost as a permanent feature of market operating expenses, and individual insurers conclude, wrongly, that deferred modernisation is simply how the sector operates rather than a solvable governance failure.

Ten Years: 2031 To 2036

What happens everywhere: operational resilience regulation matures from a compliance requirement into an active, continuously assessed standard, following the trajectory already set by the March 2025 impact tolerance rules.

- Thrive path. Insurers that closed their modernisation and integration gaps early meet resilience standards as a natural consequence of well-governed infrastructure, rather than through last-minute compliance projects.
- Die path. Insurers that never closed the gap face resilience requirements they structurally cannot meet without the exact modernisation investment they spent a decade deferring, now under direct regulatory pressure and public scrutiny simultaneously.

What I Am Recommending To UK Insurance Boards

- Quantify the annual cost of deferred modernisation explicitly, following Lloyd's own £800 million market-wide calculation, so that the decision to delay a system replacement is made against its true cost, not against the headline project budget alone.
- Resource data migration and systems integration as a senior-accountable, standalone workstream in every M&A and modernisation programme, not a technical dependency handled by whichever team has spare capacity.
- Treat operational resilience impact tolerance requirements as the regulatory floor for modernisation investment, not the ceiling, since the requirement will only tighten as supervisory expectations mature.

Conclusion

Lloyd's £800 million annual cost of fragmented, ageing technology is the clearest answer available anywhere in this paper series to the question of what deferred change actually costs. It did not arrive as a single dramatic failure. It arrived as a compounding tax, duplicated processes, manual rekeying, error correction, accepted year after year because no single year's cost looked large enough to force the investment case. Blueprint Two's delay to 2028 is a reminder that even once an organisation correctly diagnoses this cost and commits capital to fixing it, execution discipline determines whether that investment closes the gap or simply defers it further. The lesson for UK insurance boards is not that modernisation is expensive. It is that not modernising is more expensive, every year, whether or not that cost appears anywhere near the top of a board pack.

Sources: Genasystech (Lloyd's Blueprint Two and insurance system integration analysis), Insurance Business Magazine (Sollers Prediction Report 2026), Equisoft, Decerto, Insurance Data Solutions, LinkedIn (insurance data migration case analysis). All figures current as of mid-2026, verified at time of writing. This is a first draft prepared for internal discussion.