

The hidden benefits of value-added services (VAS) in commercial lines insurance

The estimated market for VAS:¹

\$2 billion

The biggest market potential—**\$750 million to \$900 million**—is risk mitigation, which includes



Predictive analytics



Knowledge sharing



Risk training and reporting

In addition to risk mitigation, other areas of potential (\$ millions) for VAS include the following:



Risk assessment
250–300



Claims
150–200



Self-insurance
300–350



Crisis advisory
250–300

VAS hold enormous potential in a world of new and complex risks. To benefit, insurers must understand how these services address their customers.

Examples

1	Risk mitigation implemented remotely <ul style="list-style-type: none">• Desktop analyses, including predictive tools, to help customers reduce risk exposure• Implementation of automated, IoT-based early warning systems	Source of value <p>Growing amount of data in all types of industries combined with sophisticated algorithms allow new approaches.</p>
2	Risk mitigation based on walk-throughs <ul style="list-style-type: none">• Expert walk-throughs and on-site assessments to help customers reduce risk exposure• Workshops to test customer incident response readiness	Source of value <p>Increasingly complex processes and emergence of new risks (eg, cyber) raise the customer need for expert advice in incident preparation.</p>
3	Captive advisory <ul style="list-style-type: none">• Support of corporate clients to run captives• Provision of dedicated consulting services on risk structuring to help define optimal level of risk retention and financing, including capital management, via banks	Source of value <p>Optimizing risk retention is outside the core competence for most clients. As more complex risks (eg, cyberliability) are addressed by captives, clients increasingly value tailor-made solutions.</p>
4	Crisis advisory <ul style="list-style-type: none">• Restoration of operations support in case of disaster or other high-complexity events via interim management, communication, legal support, and advice on alternative supply chains	Source of value <p>Increased connectivity leads to a broader reach of crisis events, resulting in the need to handle crisis response professionally.</p>

Insurers need to amplify their risk mitigation offerings beyond core services to truly monetize.

<p>1 Risk mitigation implemented remotely Today's core services</p> <ul style="list-style-type: none">• Survey-based risk mitigation, bundled with advisory on mitigation measures• Checklists of mitigation measures (eg, regarding fire prevention) <p>Next-frontier services</p> <ul style="list-style-type: none">• Real-time risk alerts based on new data points captured by IoT devices (eg, manufacturing)• Advisory on cyberattack prevention (based on increase in data protection legislation)• Development of virtual models for plants and simulation of building-related risk impact		<p>2 Risk mitigation based on walk-throughs Today's core services</p> <ul style="list-style-type: none">• On-site walk-throughs to observe people, property, and equipment to understand exposure• Walk-throughs result in advice on risk mitigation measures <p>Next-frontier services</p> <ul style="list-style-type: none">• Remote building or area inspections using drones• Remote inspection providing augmented reality for client-internal risk or insurance employees• White-hat hacker attacks
<p>3 Captive advisory Today's core services</p> <ul style="list-style-type: none">• Operations to client's captive insurers• Advisory on captive setup for large corps <p>Next-frontier services</p> <ul style="list-style-type: none">• "Out-of-the-box" captive offerings for SME• Cyberliability risk to cover emerging cyber risks and fill in gaps in standard policy language• Risks related to employee benefit programs to counter cost inflation of medical insurance		<p>4 Crisis advisory Today's core services</p> <ul style="list-style-type: none">• Ransom negotiations• PR and legal advice <p>Next-frontier services</p> <ul style="list-style-type: none">• Emergency first response and disaster recovery management• Services on cyberattack remedy

Are you prepared to uncover hidden value in your organization?

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¹ Based on North America and Europe. Limited current market demand for Asia.