

Latest short-term insurance trends

23 September 2024

2024 has seen a rise in the prevalence of short-term insurance. But what is this trend, and why are we seeing it more often?

What is short-term insurance?

As the name suggests, short-term insurance is a form of insurance that provides short-term coverage. This may be put in place to provide gaps in existing cover, to provide cover for a short period to enable the policyholder to obtain a more suitable long-term solution (e.g., 'drive away' insurance) or to cover a risk with a limited duration (e.g., single trip travel insurance).

Historically, short-term insurance has been limited to a relatively small number of markets as it can be difficult to distribute effectively. Short-term insurance can be difficult to price competitively, owing to the inability to defray underwriting costs over a longer period. There are also elevated moral hazard risks associated with short-term policies.

Will AI unlock the short-term insurance market?

Underwriting and policy administration costs present one of the most significant barriers to short-term insurance as those costs can be disproportionate to the amount at risk. However, as AI (and algorithmic underwriting generally) becomes more accurate and more sophisticated, it is likely that the costs of underwriting, together with policy administration will be driven down. The key to this will be for insurers to satisfy themselves that their datasets are sufficiently robust.

In addition to underwriting and policy issuance, it is likely that AI will be developed to the point that it can be used to deal with early-stage complaints analysis, claims handling and cover verification.

This could have the effect of reducing insurers' operating costs and making short-term insurance products attractive to more underwriters.

Considerations for insurers

Many insurers will be keeping a close eye on the market for short-term policies. The key to successful deployment will be for insurers to ensure that they have reliable technology and solid datasets on which underwriting decisions can be made. Addressing such issues may be difficult for many insurers, and it will therefore be interesting to see whether startup MGAs and InsurTechs, unencumbered by legacy systems, will steal a march on this fast-growing segment of the market.

Contents

[The Word, September 2024](#)

[Latest short-term insurance trends](#)

[Oklahoma earthquake: Racial discrimination in adjudication](#)

[Local authority insurers: Vicarious liability in kinship carer abuse](#)

[The LMA's new Open Form Default Clause](#)

[LMA binders' consultation](#)

[PFAS: The issue that won't go away](#)

[Will the Online Safety Act help reduce Google ad spoofing in insurance?](#)

Author

Kelsey Richardson
Trainee Solicitor

kelsey.richardson@brownejacobson.com
+44 (0)330 045 2216

Tim Johnson
Partner

tim.johnson@brownejacobson.com
+44 (0)115 976 6557

Related expertise

Services

Financial services and insurance
advisory

Policy drafting and distribution

