

Consumers Intentions to Cutback on Insurance Revealed

During their attempts to reduce pressure on their short-term spending, consumers should look to make sure that their capacity for long-term financial management does not come under unnecessary strain.

October 17, 2008 (FPRC) -- Such is the assertion of uSwitch, where in a recent study it was shown that a significant number of Britons have either cancelled an insurance policy or stopped making contributions into a pensions scheme. According to the price comparison site, more than 19 million people - the equivalent of 42 per cent of the UK population - were shown to have done, so in a bid to get to grips with their finances. In making such moves, 86 per cent of those questioned were revealed to have saved themselves as much as 50 pounds per month, with one in ten claiming to be between 51 and 100 pounds better off on a monthly basis.

Overall, breakdown insurance and private health and dental cover were revealed to be the two areas of financial protection consumers are cutting back on the most, with 15 per cent of Britons shown to have cancelled such products respectively. Meanwhile, 13 per cent have stopped paying for life insurance, with just over one in ten (11 per cent) now ducking out of getting travel insurance for when they go away.

However, by getting rid of their insurance cover consumers could find that - should their luggage be lost while on holiday, for example - they have to dip into their own pockets and purses in order to meet the cost of repairing or replacing items. In turn, this could have an impact upon their ability to manage other spending commitments such as personal loans, credit cards and utility bills.

In addition, the price comparison website reported that those consumers who are withdrawing from making contributions into a pension plan in a bid to get to grips with their spending, could find that they cannot "make up the shortfall in the future when their finances are back on an even keel". At present, more than a tenth (12 per cent) have stopped investing into such a financial product.

Following a shortfall in pension payments, older people could find that managing demands on their spending in later life comes under greater strain.

Ashton Berkhauer, insurance expert at uSwitch, said: "With money getting tight, its not surprising that consumers are looking for ways to cut their spending. However, theres a big difference between cutting down on luxuries or your weekly shop and cutting out on life insurance or pension savings. The potential impact on you or your family finances if you get it wrong could be huge and long lasting, so its important to go into it with your eyes wide open.

"The key thing to consider before cancelling any policy is whether it still meets your needs. You should then look at whether it is cost-effective, whether the cover is being duplicated through another policy or a workplace benefit and, more importantly, what the implications are of getting rid of it."

He went on to report that consumers who find themselves unable to afford to cancel their cover should still find that they have a number of choices available in order to help them get to grips with their finances. One of these, Mr Berkhauer claimed, was switching to a cheaper supplier.

As the credit crisis rumbles on, those concerned about their ability to manage their money over the coming months could find that applying for a debt consolidation loan proves to be of assistance. By taking out loans of this kind, borrowers may discover that they can merge numerous areas of financial constraint into a single low-cost monthly repayment. This could leave them with more disposable income, meaning they do not have to scrimp on cutting back on insurance. Indeed, this could prove to be of assistance for those looking to go away on holiday after moneysupermarket recently revealed that only four major travel insurance providers offer airline failure protection as a standard part of their cover packages.

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