Banks Improve Customer Satisfaction but Still Lag Credit Unions; Mixed Results for Insurance

JPMorgan Chase and Blue Cross Gain; Smaller Insurers Losing Ground

ANN ARBOR, Mich. (December 11, 2012) – As credit unions continue to welcome customers who are leaving banks behind, the industry has not been able to sustain the same level of service as before: customer satisfaction tamps down 5.7% to 82, according to a report released today by the American Customer Satisfaction Index (ACSI). Nevertheless, credit unions remain best-in-class for financial services and set the bar for customer satisfaction among all service industries covered by the ACSI.

“The large influx of new customers for credit unions, many of whom left banks because of rising fees, poses new challenges for customer service,” says Claes Fornell, ACSI founder and author of The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference. “The question becomes, How to best serve a fast-growing customer franchise? The more customers you have, the more difficult it gets.”

Customers to Banks: Shape Up or Else!
Customer satisfaction with banks regarding checking, savings and loan services grows by 2.7% to 77, mostly due to strong and steady client satisfaction for smaller banks, along with a big upswing for the nation’s largest bank, JPMorgan Chase. Small banks—stable at an ACSI score of 79—continue to outclass large banks and capture market share because of it.

“As more customers move from large banks to smaller banks and credit unions, the overall customer satisfaction level for banks goes up as a matter of mathematics,” says Fornell. “As the smaller banks do a better job with customers and therefore attract more of them, customer satisfaction for banks on the whole gets a boost.”

JPMorgan Chase leads among big banks. With a 6% rise to an ACSI score of 74, the bank matches its prerecession result from 2007. Other big banks have to deal with deteriorating customer satisfaction. Wells Fargo slides 3% to 71 and Citigroup retreats 4% to 70. Bank of America declines 3% to 66, reaching its lowest level of customer satisfaction in over a decade.

“The total fees from overdraft charges alone in 2011, most of them from big banks, amounted to more than $30 billion,” says Fornell. “Customers increasingly are rejecting the ever-mounting fees charged by large banks and taking their business to credit unions.
instead. Bank of America, in particular, stands out as the only bank that is still below its prerecession customer satisfaction level. It is clear that this is mostly because of fees. Customer satisfaction was probably set to deteriorate further as additional fees were in the making until a few weeks ago, when BoA backed away from the idea.”

**Steady Health Insurance Customer Satisfaction Aided by Small Premium Hikes**

Customer satisfaction with health insurance remains constant at an ACSI score of 72, as the rate of increases was less than half the annual average for the decade. The Blue Cross and Blue Shield Association, the umbrella organization for dozens of insurers, rebounds 7% to an ACSI score of 73. The gain erases a two-year decline for BCBS and catapults it into first place. Because of expected premium hikes, however, it will be a challenge for BCBS to retain the lead.

Customer satisfaction for the rest of the industry is flat or dropping. The aggregate of smaller health insurers, including Cigna and Humana, falls 5% to an ACSI score of 71. This is the third straight year of waning customer satisfaction for small insurance companies. Difficulty in competing on price may be a reason. Following a hike in premiums, the customer satisfaction picture is also problematic for WellPoint, down 5% to 70. UnitedHealth drops 3% to tie WellPoint, while Aetna trails the field at 67, as it did a year ago.

**Life Insurance Regains Peak ACSI Level; Property & Casualty Insurance Plummet**

Premium rate stability helps push the ACSI score for the life insurance category back to its all-time high of 81 (+1.3%). Smaller life insurers hold onto first place despite a 1% drop to 81. Among the larger companies, New York Life posts the best ACSI score (80). Like Prudential, its score is unchanged. Prudential ties Northwestern Mutual, down 2%, at 79. The largest life insurer, MetLife, has a small gain of 1% to 78, but remains at the bottom of the industry for customer satisfaction.

Policyholders are less pleased with property and casualty insurance as higher-than-average rate increases exert downward pressure on customer satisfaction. Overall, the property and casualty insurance industry tumbles 6.0% to an ACSI score of 78—an erosion stemming from considerable weakening in customer satisfaction with smaller companies, such as AAA, Nationwide and Travelers (down 7% to 77).

At the other end of the scale, State Farm keeps the lead (ACSI score of 81), even after a slight 1% drop. Due to a 3% gain to 81, Progressive shares the top. Three others congregate at a score of 79; GEICO drops 2%, Farmers Group is unchanged, and Allstate inches up 1%

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**About ACSI**
The American Customer Satisfaction Index (ACSI) is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. The ACSI uses data from interviews with roughly 70,000 customers annually as inputs to an econometric model for measuring satisfaction with
more than 230 companies in 47 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using a scale of 0 to 100. ACSI data have proven to be strongly related to a number of essential indicators of micro and macroeconomic performance. For example, firms with higher levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. Stock portfolios based on companies that show strong performance in ACSI deliver excess returns in up markets as well as down markets. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and gross domestic product growth.

The Index was founded at the University of Michigan’s Ross School of Business and is produced by ACSI LLC. The ACSI can be found on the Web at www.theacsi.org.

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