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ACSI: Declining Customer Satisfaction With Healthcare Insurance Dampens Small Improvements for Banks and Life Insurance

Blue Cross and Blue Shield & UnitedHealth Wilt; Customer Satisfaction With Credit Unions Falls Sharply

ANN ARBOR, Mich. (December 14, 2010)—Steady or improving customer satisfaction with several types of financial services is not enough to overcome the customer satisfaction challenges of the health insurance industry, according to a report released today by the American Customer Satisfaction Index (ACSI). The report covers customer satisfaction with banks, credit unions, health insurance, life insurance and property & casualty insurance.

Health Insurance: Higher Premiums Putting a Big Hurt on Healthcare

After two years of improvement, customer satisfaction with health insurance falls 2.7% to an ACSI score of 73. The aggregate of smaller companies leads the industry, down 1% to 76. Blue Cross and Blue Shield drops 4% to 70, but is ahead of the other large insurers, while Aetna falls 3% to 68. UnitedHealth plummets 10% to an industry low of 65. Complaints about customer service and the recent handling of Medicare drug coverage are at the forefront of UnitedHealth's troubles. WellPoint is the only health insurer that shows an improvement, up 3% to 69.

“The cause of the customer satisfaction decline is not difficult to find—sharp increases in premium costs and deductibles are to blame,” said Claes Fornell, founder of the ACSI and author of *The Satisfied Customer: Winners and Losers in the Battle for Buyer Preference*. “Medical costs are rising and companies are passing on a greater share of the insurance burden to employees. When consumers pay more without getting better service, they are obviously not happy.”

Banks & Credit Unions: Smaller is Better, but Credit Unions Under Pressure

While not yet returning to levels prior to the banking crisis, customer satisfaction with checking, savings, and personal loans rises slightly, up 1.3% to 76. Bank fees have risen as of late, but consumers seem to be taking the increased cost in stride by finding ways to avoid them. As usual, smaller banks do better and are unchanged at an ACSI score of 80. Among the big banks, Wells Fargo is on top, unchanged at 73, followed by Citigroup, up 2% to 69, and Bank of America, up 2% to 68. JPMorgan Chase rounds out the industry, down 2% to 67 and showing a decline for the fourth straight year.

Credit unions, similar to small banks, have significantly higher customer satisfaction than the big banks, but suffer a sharp decline of 5% to 80. The difficulties in managing rapid growth are partly to blame, as regulators have allowed credit unions to expand offerings to include more mortgage and investment banking activity. Financial losses by several individual credit unions have taken a toll. Since credit unions can't raise capital by selling stock, the only recourse to recover losses is through cost-cutting, which usually leads to less customer service, or raising fees, which leads to higher customer cost.

Life & Property Insurance: Riding High Among Financial Services

Life and property insurance are tied with credit unions for the highest ACSI score in financial services. The life insurance industry gains 1.3% to 80, while property & casualty insurance is unchanged at 80. Smaller life insurers lead the category, up 1% to 81. Northwestern Mutual tops the big companies, despite a small 1% dip to 80, followed by New York Life, down 3% to 78. MetLife and Prudential—the largest players in the life insurance business—are close behind, with MetLife up 1% to 78 and Prudential unchanged at 77.

Among property & casualty companies, State Farm maintains the lead, unchanged at 82, followed by GEICO, also unchanged at 81. Progressive and Allstate each fall 1% to 79 and 78, respectively, while Farmers drops 3% to 76 to round out the industry. 2010 marks the fourth consecutive year that Farmers has occupied the bottom spot.

“Life and property & casualty typically do better with customers compared to health insurers because premiums are lower and policyholders have fewer reasons to interact with the insurance company, so there are fewer opportunities for things to go wrong,” said Fornell. “This is particularly true for life insurance—premiums typically are fixed for the duration of the policy, and once a policy is in place, a customer might never again interact with the insurer.”

About ACSI

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. ACSI releases results for various sectors of the economy on a monthly basis to provide up-to-the-moment coverage over the entire calendar year. The national index is updated each quarter and factors in scores from more than 225 companies in 45 industries and from government agencies over the previous four quarters. The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. ACSI can be found on the Web at www.theacsi.org.

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