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ACSI: Rising Fees Hurt Bank Customer Satisfaction; Consumers Dissatisfied with Health Insurance Plans

Credit Unions Top Financial Services, Internet Brokerage Up with Stock Market

ANN ARBOR, Mich., (November 18, 2014) – Customer satisfaction with banks is down as fees reach new heights, according to a report released today by the American Customer Satisfaction Index (ACSI). The decline nearly reverses two years of ACSI improvement for retail banks. Credit unions, however, continue to rank best among financial services with an ACSI score of 85 on a 100-point scale – the second-highest of 43 industries in the Index.

"A growing number of consumers are finding that the best way to avoid bank fees may be to avoid banks altogether," says Claes Fornell, ACSI Chairman and founder. "Credit union membership growth broke records in 2014, and their customers are far more satisfied. The structure of credit unions means they can charge lower and fewer fees, but they still manage to provide superior service in nearly every area, from tellers to websites. Banks can't easily give up the revenue that fees generate, but clearly the pressure is on to improve service."

The *ACSI Finance and Insurance Report 2014* covers customer satisfaction with banks, health insurance, property and casualty insurance, life insurance, credit unions and online brokerage. The report is available on the ACSI website at www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2014/acsi-finance-and-insurance-report-2014.

Customer Satisfaction Sours as Retail Bank Fees Escalate

As frustration over fees ramps up, particularly with smaller banks, customer satisfaction with banks slumps 2.6 percent to an ACSI score of 76. Smaller banks drop the most, down 4 percent to 80. Although many small banks have begun resorting to revenue-generating fees, they remain far ahead of big banks in terms of better customer service and lower costs.

For the four largest banks, there is little meaningful difference among JPMorgan Chase (-3% to 74), Citigroup (unchanged at 74) and Wells Fargo (steady at 72). Meanwhile, Bank of America maintains its highest score since 2008 (69), but lags behind as the only big bank yet to return to pre-recession levels of customer satisfaction.

Discontent with Group Plans Dampens Satisfaction for Health Insurance

Policyholder satisfaction with health insurance is down for the first time in three years, falling 4.1 percent to an ACSI score of 70. Although the rate of increases to premiums and deductibles has slowed, higher costs and limited choice for group plans keeps customer satisfaction with health insurers far below other types of insurance.

The Affordable Care Act aims to increase competition for individual plans, but employer-provided group plans still make up the majority of the industry, and a sharp drop in customer satisfaction with group policies (-7% to 67) pushes the industry average to its lowest score since 2005. Customer satisfaction with individual plans is stable at 74.

"Consumers who get group insurance through their employer often don't have many choices, which adds to dissatisfaction because it is more difficult to punish insurers for a poor experience, bad customer service, or high prices by switching providers," says David VanAmburg, ACSI Director. "Where there is more meaningful competition among individual plans, we are seeing on average lower costs and higher customer satisfaction."

Smaller insurers actually improve slightly (+1% to 73) to top the category, but most of the largest companies deteriorate. The only major insurer to improve, UnitedHealth, gains 3 percent to 72. The Blue Cross and Blue Shield Association drops out of the lead (-7% to 69), followed by Wellpoint (-10% to 66) and Aetna (-6% to 65) in last place.

According to customers, overall prescription drug coverage is worse than it was a year ago (72). Health insurance call centers are a low point for the industry (68), and websites are not much better (71).

Strong Stock Market Buoys Online Brokerage Satisfaction
Customer satisfaction with online brokerage rises along with the stock market, improving for a third straight year (+2.5% to 82). Smaller brokerage sites (including Vanguard and Scottrade) lead following a 6 percent gain to a combined score of 85. Charles Schwab falls 5 percent to 80, while Fidelity declines 6 percent to 76, tied with E*Trade. TD Ameritrade remains in last place at 74.

Higher Premiums Fuel ACSI Downturns for Life and Property & Casualty Insurance
Customer satisfaction with life insurance declines 3.6 percent to 80, while property and casualty insurance is down 2.5 percent to 79. For property and casualty customers, smaller is usually better, but not this year. Smaller companies now fall behind State Farm, which improves 3 percent to 81. The remaining providers show little differentiation. GEICO (-5%), Allstate (unchanged) and Farmers (+1%) all tie at 77, just ahead of Progressive (-3% to 76).

Overall, property and casualty insurers receive high marks for handing claims quickly and efficiently, but cost-conscious consumers don't feel insurers offer enough policy discounts and rewards.

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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 analyzing customer satisfaction with more than 230 companies in 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

ACSI results are released throughout the year, with all measures reported on 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 GDP growth.

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