CX Measurement Methodologies and Best Practices for Insurance Firms
By Eric Gregg, CEO and Founder of ClearlyRated

My team at ClearlyRated spends a lot of time talking about client satisfaction and loyalty. We truly believe that for business service providers, the client experience (CX) *must* be at the heart of your business' growth strategy. But in order for CX to inform business performance, it must be measured.

Measuring CX is the only way that you can actively manage and improve CX—which, for service providers like insurance firms, is the basis of your competitive differentiation. It's why your clients buy from you in the first place, and why they stay with you for the long haul. Measuring the client experience can help you identify at-risk revenue and get ahead of costly client churn. It can help you understand your CX strengths and weaknesses. It can help you identify your happiest clients for potential referrals, testimonials, as well as cross-sell and upsell opportunities. And it can help you build your firm's reputation with tangible proof of the experience you deliver.

3 Types of CX Measurement Methodologies
Surveys are the most common approach for gathering client feedback and for measuring the client experience. But within a survey, the question remains: What methodology should your firm use to measure CX? Here are three of the most common CX measurement methodologies used in business:
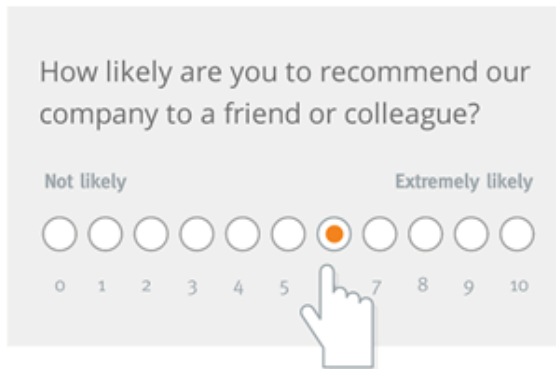
1. **Customer Satisfaction Score (CSAT).** The CSAT metric requires customers to rate their satisfaction with your service, business, or product. The scale can vary, but we most commonly see this question asked on a 5-point scale.

2. **Customer Effort Score (CES).** Most commonly implemented by business-to-consumer organizations, the CES is a metric that measures how much effort a customer must exert to get an issue resolved, a request fulfilled, a product purchased/returned or a question answered. CES surveys typically ask the question, "On a scale of 'very easy' to 'very difficult', how easy was it to interact with [company name]?"

How easy was it to complete your order online?

High effort   Low effort
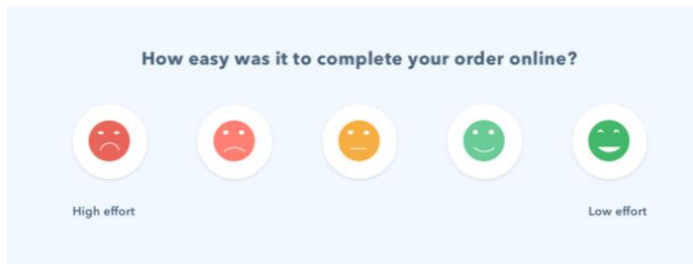
3. **Net Promoter® Score (NPS®).** A widely adopted methodology for measuring customer loyalty, especially in business service firms, NPS measures your client's willingness to recommend your firm to a friend or colleague on a scale from 0 to 10.

How likely are you to recommend our company to a friend or colleague?

Not likely   Extremely likely

0   1   2   3   4   5   6   7   8   9   10

All three of these methodologies deliver on the key benefits of a CX initiative. However, I am a huge advocate of the Net Promoter Score as an industry-best methodology for insurance firms.

CX Best Practice for Insurance Firms: Why NPS Provides Outsized Benefits

From the way the question is designed, to the built-in benchmarking, NPS provides outsized benefits at scale for insurance firms looking for a systematic way to measure the client experience.

- The framing of the question, which asks about a client's willingness to refer rather than their subjective experience of satisfaction or effort, gets around bias and invites a more direct answer. **With NPS, you are essentially asking clients whether they would be willing to put their reputation on the line on behalf of your brand.** What could be more direct than that?

- The fact that the question hinges on willingness to refer connects directly to your firm's most important source of new business: referrals. Not only does NPS provide insight into the health of your reputation among clients, it points you specifically to those clients that are ready to refer—opening new avenues for business development and revenue growth.

- The NPS methodology provides a clear rubric for interpreting client responses. Clients who respond with a 9 or 10 on the willingness to refer scale are considered **Promoters**—your happiest clients who you can (and should) work with to build reputation and earn new business. Clients who respond with a 7 or 8 are considered **Passives**—these clients are not actively unhappy but are identifying a "meh" experience that can be [equally dangerous to your brand](). Finally, clients who respond with a 0 to 6 are known as **Detractors**—these unhappy clients are speaking up to make their issues known. Detractors are offering you a lifeline, providing feedback so that you can resolve their concerns and elevate their experience before it's too late.

- The "score" behind the Net Promoter Score provides valuable benchmarking to help you understand performance across teams, as well as within your industry at-large. The Net Promoter Score is calculated by subtracting the percentage of Detractors from the percentage of Promoters in your client base. We know from universal NPS standards that anything above a 50% NPS is considered "excellent," anything above 70% is considered "world-class". **The NPS benchmark for insurance firms in 2021 is 34%**—just above average and below excellent. These valuable benchmarks provide you with unprecedented context to evaluate your team's performance. With NPS you can even segment scoring by team, by location, by market, or by individual performer—and apply these same benchmarks to create clarity and set goals.

Want to learn more about NPS for insurance firms? Check out our ["NPS 101" blog post](), and be sure to view the [2021 Insurance industry NPS benchmarks]().

Not convinced about the Net Promoter Score? [Check out the blog post I wrote in response to a Wall Street Journal article]() back in 2019. It's my "defense of NPS," and addresses some common misconceptions and skepticisms about this powerful methodology.

Still interested in learning more? InsuranceThoughtLeadership.com (ITC) published the article, ["NPS Scores Provide 3 Keys to Growth."](), highlighting the importance of the NPS for insurance industries.

*This article was originally crafted for the [Insurance, Marketing, and Communications Association (IMCA) website.]()