

Claims

Critical Thinking and the Claims Profession



NOT IF, BUT HOW

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What is critical thinking and how does it apply to claims?

- Critical thinking combines logic and intuition in a systematic manner. It aims to make an overall or holistic judgment about data or information which is free from false premises or bias.
- Although a claim analysis might begin with a gut feeling, the decision ultimately reached through critical thinking is one that can be justified and supported when challenged.
- Consciously avoiding confirmation bias, the tendency to look for information to confirm our own preconceptions, is key for making objective claim decisions.
- Think of the claim decision as if it were a medical diagnosis. There must be a sound rationale for the diagnosis—interpreting, analyzing, and evaluating all information available—without preconceived notions or bias.

“We can’t solve problems by using the same kind of thinking we used when we created them.”

— Albert Einstein

Critical thinking is not a new concept—it’s been around for literally hundreds of years. Think about how early philosophers, inventors and scientists went about solving complex problems and explaining concepts previously thought of as mysteries or curses. It wasn’t until the mid-20th century, however, the term *critical thinking* came into use.¹

Today, it’s one of the most desirable qualities for job candidates in most any industry because the critical thinker can be counted on to make sound decisions on their own. Recognizing its importance, educators have begun introducing critical thinking exercises to young children. In this article, we will explore what critical thinking is, why it’s important to insurance claim professionals, and how we can become critical thinkers.

What is critical thinking?

Like most abstract concepts, critical thinking is subject to interpretation. In simple terms, critical thinking can be defined as an objective analysis of a set of complex facts to form a rational, skeptical, unbiased judgment. Many people confuse critical thinking with

analytical thinking and lateral thinking. Analytical thinking focuses on facts, evidence, and data, often breaking down complex things into simpler components and eliminating extraneous information. Think about the insurance actuary. They use analytical thinking to identify patterns in certain data that may help to predict future outcomes. Their analyses will help determine future pricing and product offerings.

Lateral thinking is an indirect and creative approach to problem solving which involves looking at an issue step-by-step, from different angles, and finding what may be missing. The lateral thinker may identify many potential solutions to a single problem. Lateral thinking is sometimes thought of as an idea generator for innovators in their field. For example, insurance marketing professionals will look at prior sales data as well as goals for the future, then use lateral thinking to develop their marketing strategy that addresses prior successes and failures as well as future expectations.

Why is critical thinking important?

The critical thinker may borrow tools from analytical and lateral thinking, but also recognizes the need to reconcile hard data with common sense. They will be most successful when blending natural feelings with logic and intuition and applying all of these in a systematic

way. Critical thinking aims to make an overall or holistic judgment about the data/information which is free from false premises or bias.²

Based on these definitions, one can easily correlate critical thinking to the adjudication of insurance claims. When presented with a complex claim scenario, the claim analyst must use critical thinking to:

- Understand the links between ideas
- Determine the importance and relevance of arguments and ideas
- Identify inconsistencies and errors
- Justify their own assumptions, beliefs, and values

The claim analyst can then arrive at the best possible decision under the circumstances. Although a claim analysis might begin with a gut feeling, the decision ultimately reached through critical thinking is one that can be justified and supported when challenged. In making claim decisions, we must guard against taking mental shortcuts, which isn't easy in today's fast-paced, interconnected environment.

So, if critical thinking is so important, why is uncritical thinking so common? Why do so many educated people find critical thinking so difficult?

Thinking critically requires keeping an open mind, which is not always easy. There are barriers, both subtle and blatant, to thinking critically. These include: pride, fear of change, inappropriate bias, prejudice, unwarranted assumptions, fear of being wrong, narrow-mindedness, stereotyping, political correctness, anger, apathy, and uncertainty.³

We may tend to draw conclusions based on inaccurate or irrelevant information or information taken out of context. A critical thinker must be able to sift through large volumes of information to determine what is relevant and what may be missing, while at the same time, consciously avoiding confirmation bias, which is the tendency to look for information to confirm our own preconceptions. Confirmation bias can be particularly damaging if a claim decision faces a legal challenge down the road. Of course, we must never engage in group bias, such as racism or sexism, and we must never be perceived as dehumanizing a claimant or beneficiary.

While it is important to keep an open mind, it is also important to acknowledge our personal assumptions and actively expose them to rigorous critique.⁴ Hold these assumptions up to light, and open them to scrutiny. Both fact and opinion may play a role in the critical thinking process, but we must recognize and differentiate the two. Acknowledge and consider opposing arguments.

How to become a critical thinker?

While we may not be born critical thinkers, we can develop and improve our critical thinking skills with practice. We can start by asking the questions: who, what, when, where, why and how, in breaking down the complex situation at hand. This will help to organize our thoughts and develop the range of possible outcomes.

Take, for example, a statement taken by a beneficiary on a contestable foreign death claim. In evaluating the statement, the claim analyst should ask:

- Who said it?
- What did they say?
- Where did they say it?
- When did they say it?
- Why did they say it?
- How did they say it?

For a claim analyst who employs critical thinking, is this enough? Remember that critical thinking involves reconciling hard data with common sense to help understand the links between ideas, determining the relevance of certain ideas, and identifying inconsistencies or errors. This requires digging deeper and reading between the lines.

The critical thinking analysis of the beneficiary statement may look more like this:

- **Who said it?**
What is the relationship to the claim?
Does it matter who said this?
- **What did they say?**
Facts or opinions? Did they leave anything out?
- **Where did they say it?**
Public or private place? Did others hear?

- **When did they say it?**
Before, during, or after a certain event? Is the timing important?
- **Why did they say it?**
Did they give their reasoning? Do they have something to gain?
- **How did they say it?**
What emotions were involved? Oral or written? Understandable?²⁵

The person conducting the interview must employ critical thinking on the fly. They should anticipate possible responses to each question, and be prepared to drill down for more details or go in a completely different direction. They must not allow any preconceived ideas or bias to get in the way of listening completely to what is being said. They should be prepared for, and sensitive to, emotions on the part of the person being interviewed.

In reaching a claim decision, the claim analyst needs to take an inventory of the **facts** as well as their own **observations** (the data). This information, together with their knowledge and experience, will enable them to make certain **inferences and assumptions** (intuition, common sense) that they will use to form their **opinion**. They should develop **arguments** to challenge their opinion and rule out any bias that may have played a role in the opinion. Think of the claim decision as if it were a medical diagnosis. There must be a sound rationale for the diagnosis—interpreting, analyzing, and evaluating all information available—without preconceived notions or bias. Claim decisions can have ramifications for claimants and beneficiaries as well as the insurance companies. These decisions are made by human beings and are, therefore, imperfect. Regardless of our role in the claim process, we can introduce or improve critical thinking skills to help us make sound and fair decisions that can stand up to potential legal challenges.

Are you ready to test your critical thinking skills?

Critical Thinking Exercise

In going through this exercise, the participants should keep in mind:

- The ultimate goal is to seek the TRUTH, not confirm your own opinion.
- Seek out evidence, including contrary evidence, to test your reasoning.
- Be open to revisiting your reasoning.

Present the following to the participants:

Claims Scenario

- A life insurance policy for \$500K was issued 5 months ago.
- The insured is a 49-year-old male.
- The insured is married.
- The beneficiary is a bank, as their interest may appear.
- The insured has recently died.

The claim is assigned to you, and in reviewing the policy file and claim documents, you note the following:

- The death occurred within the contestable period of the policy.
- The application was submitted electronically by the agent.
- There is no medical history on the application; just the name of a family physician.
- The application indicates the insured is self-employed as an IT consultant, with income of \$75K per year.
- The death certificate shows the cause of death as pancreatic cancer, with the interval between onset and death as six months.

First Impression

The participants should share their initial thoughts concerning the various aspects of the claim, such as:

- Timing of the application for life insurance
- Information disclosed on the application
- The agent's role in the application process
- The named beneficiary
- Cause of insured's death
- Claim investigation

For example, some participants may think the insured was diagnosed with cancer prior to applying for life insurance, and he misrepresented his health history (by providing none) in order to obtain coverage. Medical records will likely bear that out, and the policy will be rescinded.

Incorporate Critical Thinking Skills

Encourage the participants to consider what other information the critical thinker would take into account? What evidence might they seek to test their reasoning? For example:

- Some people die very quickly from certain diseases; symptoms don't show until it's too late.
- The agent submitted the application electronically. Did the agent actually meet with the insured and ask all of the application questions?
- What information can be gleaned from the Attending Physician Statement ?
 - Who completed the Attending Physician Statement? How reliable is the information?
 - Insured's physician? (Most knowledgeable of insured's health history)
 - Where did the death occur? (Hospital, home, other?)
- The beneficiary is a bank, and it appears the policy was to secure a loan, which fits with his being self-employed as stated on the application. Is this the behavior of a terminally ill individual? Wouldn't naming the spouse as beneficiary be more likely if the insured was aware of his illness?
- Is there an obituary or any news articles online?

Findings

- The agent stated that he took the application over the phone, and he did ask all of the application questions. He did not meet in person, because he has known the insured for many years. The insured contacted him, because he needed the policy in connection with a small business loan. The agent knew nothing of the insured's illness until he saw the obituary in the paper.
- The death certificate was completed by the medical examiner following an autopsy.
- The death certificate was issued in Ontario, whereas the insured lived in Alberta.
- The location of death is given as a hospital, DOA (dead on arrival).
- A google search locates a news article which states the following:
Local Father of 4, Pillar of Community, Collapses at Marineland... long-time employee of local tech firm recently quit to start his own business... had taken the family to Marineland for Spring Break... his wife states he has been complaining of stomach pain for a while, but was too busy to go to the doctor... he said it was just from the stress of starting the business...
- Medical records confirmed the insured had no significant medical history prior to the application for life insurance; had not seen the doctor in the last two years

Follow up Questions

- What evidence was sought to test the participants' original reasoning?
- Did the evidence force the participants to revisit their original reasoning?
- Did the evidence confirm or refute the participants' initial impressions?
- Ultimately, was the truth known?

References

- ¹The Foundation for Critical Thinking, *Defining Critical Thinking*
- ²*Critical Thinking*, Dr. John Warner
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- ⁴*Standards and Obstacles to Critical Thinking*, canvas.santarosa.edu
- ⁵Skills You Need, *Critical Thinking*