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Article

Note from the editor: Insurance after markets

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Note from the editor

Insurance after markets

For all its interest in risk, the sociology of finance has curiously steered away from insurance, which is closely linked to the concept. When economic sociology did pay more attention to risk, it was mostly on financial markets it focused, on the devices and epistemic cultures of measuring, packaging and trading risk. One way of accounting for this emphasis is to say that the field's questions grew out of a preoccupation with markets, credit and expertise – for example, how commodities, calculability and equivalence are created, how economic theory realizes markets, and how debt financing weaves throughout the economy. The need to understand how the world of financial trading generates and obliterates value through the mechanics of transacting gained urgency with the financial crisis. The insurance sector was little implicated in the financial crisis and hence, less studied, although the insurer AIG was deeply exposed to securitized subprime mortgages and underwent one of the largest bailouts (Lewis 2010). At the same time, these research interests have overlapped with, and traced, the rise of financial economics, which has been slowly eclipsing traditional, actuarial calculation as a universal toolkit to price and manage risk.

Consequently, the characters of financialized capitalism we have mostly put in the empirical spotlight are the exchanges and investment banks, analysts and hedge funds, and their archipelago of partners and competitors. Meanwhile, insurance companies are typically the “other” of our known financial world: they tend to be rather among the large institutional investors, the banks' clients, the players with regulatory constraints to keep their investments conservative, the stock exchange participants potentially vulnerable to innovative hedge fund strategies or brute-force computing by High Frequency Traders.

Risk was also theorized, before sociologists of finance and the economy took interest in it, as the all-encompassing trope of modern capitalism (e.g., Beck's “risk society”, 1992), a new moral system of attributing blame and responsibility (Douglas 1992). These important theories, however, again transcended insurance on their way to arguments of sweeping change.

In the meantime, the insurance business did not stop gaining ground. It underpins as well as absorbs a large share of global capital, despite the apparently competing presence of financial derivatives, and precisely because risk has come to organize, feed on and threaten global capitalism at large (Jarzabkowski/Bednarek/Spee 2015). As the world's third largest, the UK insurance sector alone for instance manages £1.8 trillion (\$2.7 trillion) of investments (ABI 2014).

Insurance is not only everywhere, it is changing in important ways, ways that are consequential but easily overlooked for being merely technical tinkering, whereas they reconfigure social relations at large, as several authors in this issue explain.

How can sociology decipher insurance's continued significance, and assess the stakes of its sometimes slow-paced shifts? To be sure, there were early contributions to the economic sociology of insurance, often influencing sociology broadly. For instance, Carol Heimer (1985) showed that risk is neither externally given nor fixed, but endogenous to its measurement, and that, to control their moving target, insurance companies develop new strategies of contracting. Meanwhile, Viviana Zelizer (1979) argued that markets are inherently moral, and the lack of public legitimacy for the way insurance related death, money and rightful gain prevented its expansion, despite a novel technology – risk calculation – and cunning sales technique. Foucauldian scholars (e.g. Ewald 1991) argued that the moral, legal and calculative aspects of insurance have emerged as the quintessential form of neoliberal governmental rationality or *governmentality*. The insurance technique created not only a new form of financial solidarity but also of sociability. It replaced worker solidarity and class struggle with centrally managed individuals, although relieving them from individual blame assigned in law, explaining events from accident patterns and probability. It not only localized the abnormal but also controlled everyone, by describing populations statistically and ascribing values to individuals. Together with the regularity of its operations, insurance had triumphed over both worker- and state-organized provision for damages in many areas (Defert 1991), and served as the model for modern government (e.g. 1998, Knights/Vurdubakis 1993). Nonetheless, liberalism should not be equated with ever-expanding

risk calculation – uncertainty has been a key governing concept, too, and shaped insurance itself (O'Malley 2000). Finally, management historians studied the material technologies used by this information-intensive industry, and found that business machines went hand-in-hand with actuarial calculation, to an extent that the development of postwar computer technology was shaped by its continuities with tabulating tasks (Yates 2008).

While we can build on this earlier wave of research, the question of insurance today calls for mobilizing the newer developments in economic sociology, and often taking an interdisciplinary perspective (for a recent initiative see *Journal of Cultural Economy* 2014, in law Baker/Simon 2002, in history Bouk 2015). A novelty is the recognition that the story of insurance is not only a story of risk. Indeed, many articles presented in this issue focus on insurance as commercial organizations and market actors, rather than as a technology of risk and governance. Although risk production remains the bread and butter of insurance, the sheer availability of calculative tools does not in itself explain market formation and reproduction, as the sociology of markets has resoundingly demonstrated, from Zelizer to institutionalism to actor-network theory. Theories of insurance must accommodate this. Similarly, the continued survival and the viability of the insurance business model itself is largely unexplored. In the face of financial crises and digital disruption, such inquiry is imperative. The “market work” (Cochoy/Dubuisson-Quellier 2013) of selling insurance also comes into view again (cf., Leidner 1993, Chan 2009) alongside, and as part of, sorting populations and cultivating customers.

The articles in this issue venture in some of these new directions, while they recast a range of theories from recent economic sociology and adjacent fields such as the sociologies of risk, regulation, or accounting, as well as political economy and history, in light of rich empirical cases.

José Ossandón's article *Insurance and the sociologies of markets* takes the formation of health insurance in Chile as its object of study. While most studies of insurance focus on its origins and development in “the West,” here we encounter the now classic Chicago School economics laboratory under a dictatorship, where health coverage was designed from scratch as an entirely private service. But this is only one way to narrate this market, and Ossandón illustrates how we arrive at vastly different accounts of how health insurance took shape, depending on our

choice of theory. Instead of adjudicating between or synthesizing these theories, Ossandón suggests we sustain a “multi-perspective” theory of markets, as each theory's explanatory power is irreducible to the others.

Hilgartner (1992) argued that every causal claim of risk has its idiosyncratic trajectory of becoming a “risk object.” Similarly, insurance cannot be seen generically as a continuous movement to ever-finer risk classification. In their article *Insuring biofinance: Alcohol, risk and the limits of life*, Shaun French and James Kneale argue that insurance has grappled with monitoring and turning alcohol into a causal factor. They trace the origins of the now common health assessment measure (alcohol units) to insurance companies' reports, but reveal large discontinuities of these companies' preoccupation with alcohol as a meaningful factor in health outcomes and financial ability. All the while that specific measures have been institutionalized by state policy, alcohol has stayed elusive to financial governance.

That defining feature of insurance, risk classification, has had a complicated relationship with legal discrimination. In her article *Polanyi in the European Single Market: The re-regulation of insurance*, Deborah Mabbett points to the paradoxes of embeddedness, analyzing the recent European Court of Justice decision to ban gender discrimination in insurance across the European Union. Adopted from equality measures across labor markets, as an act of both embedding markets into social concerns and disembedding them from national conventions in favor of a single market, the regulation's ability to foster gender equality has been hotly contested. Mabbett shows the dilemma among EU institutions between “moral economy” versus “social policy,” locating equity either in risk calculation itself or in outcomes such as insurance premiums. Banned categorical discrimination may, however, be approximated by legitimate categorical or behavioral variables (e.g. age, driving pattern), yet fine-grained risk classification is not evidently in insurers' interest.

Despite traditional actors' reluctance to adopt new techniques of slicing and dicing data, others who do might nonetheless redefine insurance, considers Liz McFall in her article *Is digital disruption the end of health insurance? Some thoughts on the devising of risk*. Big Health Data are potentially changing the foundations of insurance calculation, McFall suggests, exemplified by the emerging practice of incentives for “healthy behavior” (according to wearable devices), which dovetails with recent healthcare policy

changes worldwide. To put the digital hype in perspective, however, the article draws on the novel concept of “devising” in markets, and on a historical case. It reveals the long-standing involvement of insurance in health policy, and the salience of “commercial judgment” which de-centers actuarial calculation. One lesson is that conventional comparison of “social” versus “private” insurance regimes overlooks their fundamentally hybrid composition. Digital insurance calls forth the analysis of these hybrid systems, to theorize the ways in which it may upturn their entrenched institutions.

Whether insurers will survive is not only a poetic question but something routinely scrutinized by regulators. In the article *Building the behavioural balance sheet: an essay on Solvency 2*, Mike Power brings into view a major overhaul of how the “financial health” of insurance companies is measured and thereby regulated. Transnational EU governance targets the economic *entity* doing transactions, whether by discrimination or digitally. Systemic safeguarding looks not at profitability; accounting ratios are designed to indicate how vulnerable the organization is to paying out insurance claims. But the timing and amount of future claims are contested, and involve risk analysis where estimates can use different principles of valuation. Akin to liquidity, solvency is even more of a construct, yet slight changes in its ratio have vast consequences as they constitute radical change in regulatory philosophy, overflowing to accounting and integrating with risk management, the business model, and corporate governance.

Overall, bringing insurance back into focus can in fact invigorate research on some of today's key sociological questions, notably the production of economic stability and inequality, the practices of valuation (Antal/Hutter/Stark 2015, Beckett/Aspers 2011), the processes of financialization (Krippner 2011, Langley/Leyshon 2012), and the consequences of big data and economic classifications (Fourcade/Healy 2013).

I hope you will enjoy reading this issue.

With best wishes,

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