

## **Selling risk in Private health insurance in Chile.**

The current work discusses, from a cultural economy point of view, institutions whose main business is to deal with risk: insurance companies. The paper focuses its attention on one particular case, the private health insurance in Chile, and its main aim is to conceptually understand: what the commodity is in this business. Following concepts from sociologist Viviana Zelizer, anthropologists Lee and LiPuma, and cultural theorist Joost Van Loon, I suggest that: (1) insurance works in a tension between equivalence and non-equivalence, where the loss is priceless, but the indemnity is economically valorised. (2) However, this indemnity is not the commodity, what is commoditized in this system is risk, which is detached from the compensation in a socio-technical process. (3) Finally, this detachment is an open process, of revealing and concealment, where all the involved actors finish being evaluated in terms of risk. This work is orientated to frame the analysis of empirical issues appeared after 25 years of private health insurance in Chile. However, the ideas developed here can also be useful tools to understand the economic nature of risk in contemporary capitalism.

### **Introduction: A 'cultural economy' of risk<sup>1</sup>**

The current paper discusses institutions whose main business is to deal with risk: insurance companies. Specifically, this paper focuses its attention on one particular case, the private health insurance in Chile. This work is part of a bigger research, which tries to answer what is being traded in this specific market from a cultural economy point of view. In terms of the local discussion, this research looks forward to understand the consequences of the welfare privatization in Chile. In terms of the topic of the present conference, this paper follows processes of risk commoditisation in contemporary insurance markets.

Of course, the current work is not the first research that connects sociological discussion about risk and insurance. There are several, important and well known antecedents. For example, Ulrich Beck has famously suggested that privatization in 'risk society' is beyond insurability, meaning that reflexive 'manufactured uncertainties' can not be covered by first modernity institutions, based on known probabilities (such as welfare systems and private insurance) (1996). Anthony Giddens has pointed out that trust has stopped being exclusively related with interpersonal networks, familiar rituals and traditions, being increasingly based on expert systems such as insurance companies and technologies (1990). Other authors, such as Baker and Simons (2002), have suggested insurance has been a core player in the path from societies where risk is collectively dealt to the current situation where it is has become a private matter. Individuals are seen as risk taker and being responsible of their own security (financial, health, etc.), where insurance appears as one between other options embrace or not. Finally, current biotechnological transformations have made us rethink the limits of

---

<sup>1</sup> The present work is part of a bigger research which has been supported by The President of the Nation Scholarship (given by the Chilean Government) and the Central Research Fund University of London. I am very grateful to Keith Hart and Ignacio Farías for their very useful comments and suggestions.

information to consider in statistical correlations, and, in this sense, the way insurance, even in private lead systems, is always a collective issue (Ewald 1999, Novas & Rose 2000).

In terms of empirical research, social studies of insurance have been importantly expanded during last five years. Probably the most relevant works in this field have been developed by Ericson, Doyle and Barry. They, based on huge qualitative researches, have shown both the way private insurance is embedded in political governance and how these institutions are increasingly relevant in governing individual life in neo-liberal times (Ericson, Doyle and Barry 2003). They have also empirically addressed Beck's hypothesis about the limits of knowledge and insurance in risk societies, showing the way these companies work and deal with uncertainties whose consequences are very difficult to anticipate such as nuclear threats and terrorism (Ericson and Doyle 2004a, 2004b). On the other hand, the collection of articles edited by Baker and Simons (2002) is a very important attempt to constitute insurance studies as a field by its own.

The present research does not deny the relevance of these antecedents, and the questions I try to answer have to be understood considering these works as background. In other words, the questions here developed are not orientated to issues such as: the limits of knowledge (Beck), trust and expert systems (Giddens), new ways of embracing risk (Baker and Simons), or the connection between solidarity and information (Ewald); they are orientated to the economic side of the insurance business. With 'economic', I not necessarily mean this work is done from an 'economics' point of view. Referring to contemporary terms, we could understand this research as 'cultural economy' (Amin & Thrift 2004). That is: the use of cultural tools to understand aspects that are usually seen as technical in markets, assuming, in this sense, markets as practices open to be interpreted. The main concern of this research is to study the nature of the ubiquitous and immaterial thing that is traded in this particular market. Or, said in other words, what do we buy -or what is being sold to us- when we contract an insurance policy? As I will show in more details later on, the kind of question I am proposing here is not part of an empty landscape. In fact it can be connected with classic social sciences' discussion about risk. The conceptual sources of this research are in other fields that have been particularly active during last years, specifically: cultural theory, economic sociology, economic anthropology, and social studies of science.

In my PhD thesis, where I properly develop these points, I suggest there are four main axes from which the question about the object traded in insurance market can be unfolded, each of them referring to different dimensions and specific literature. The axes are: (1) the product; (2) the good; (3) the commodity; and (4) the contract. These categories are, in a sense, an enlargement of a distinction developed by Callon et al (2004). In this work, the authors suggest to distinguish between 'good' and 'product'. Following Appadurai's social life of things, product refers to the evolving character of economic goods (Appadurai 1986). They

are not a stable thing, they are qualified, appropriated and re-designed during their trajectory, being continuously transformed, losing even their character of a saleable thing. A study, developed from the point of view of the product, would follow the historical process of transformation (qualification) of a particular good. In the case of the present research, this question has to do with understanding the process of transformation of the thing supplied in this market. The policy currently offered has not much to do with the one that was sold when the system started in 1981; and probably it will continuously change, but, at the same time maintaining its name, being in some sense the same product. This process is related with the particular and evolving interaction within multiples agencies: governmental regulation, industry associations, lobby companies, congress, experts in the system, imitation between companies, etc.

On the other hand, Callon et al suggest, a good has to do with a process of differentiation. Following the theory of monopolistic competition proposed by Edward Chamberlin (1946), the main point is the way originally similar objects (for example two soft drinks) become two practically incommensurable differences (i.e. Coca-Cola, Pepsi). As Chamberlin explains, if this process is successful; two products can even stop being part of the same market continuously producing new monopolies (i.e. MP3 players and iPod). In the case of the private health insurance in Chile, the question concerning the good has to do with how complex products (health insurance policies) supplied in this main a complex market (with thousands of possible options)- are (or not) differentiated between them, and the role played by multiple actors and technologies in this process (branding, rankings, governmental WebPages, etc in a complex market ).

In Callon et.all., and in other recent works such as Muniesa (2005), good and commodity are seen as synonymous. However, it is very important to distinguish them. It is important because the notion of commodity, and its process version commoditisation, opens important elements that are not included in market's differentiation. Commodity, at least since Marx's famous passages (for example, 1981: Ch. 1), has to do with the relation between the traded thing and its price, and the transformation that being priced implies for the elements involved. In the case of insurance this question has particular characteristics, mainly connected with the fact that its exchange needs the enactment of a third thing, which is neither the insured good (house, life, health) nor its price; it is risk. So, the question about the commodity is about the connection between the potential event, the premium, the established indemnification and the way the original thing (health) is transformed (or not) by this process.

Finally the insurance's contract is a very important dimension to consider by itself. In material terms, the contract is what circulates from hand to hand in this exchange. As Thomas has explained, economics exchanges are process of entanglement and disentanglement, where thing and involved participants are (or not) detached (Thomas 1991). As insurance

theoretician Francois Ewald (1991, 2002) has explained, the insurance contract's is never a properly private activity. Insurances' business is pooling (and un-pooling) risk, grouping individual accidents in population statistics, becoming always a kind of collective contract. Of course, in private insurance the limits of these contracts are tighter and different than the borders established by welfare institution, but they are still collective. In this context, the question to develop is about the constant definition (and transformation) of the collective boundaries involved in this particular exchange.

## I. Private health insurance in Chile and its pricing system

Chilean private health insurance was created in 1981 in the context of the huge social welfare reforms developed in the early years of this decade by Pinochet's economics team. These reforms were mainly orientated to introduce private capital and private administration in sectors that have been traditionally public, such as education, pension funds, and health. In the specific case of health insurance, the DFL3 (Law Decree Number 3) established a dual system divided between: (1) a private sector composed by different companies named ISAPRES ("Instituciones de Administración Privadas de Salud") and (2) a public system called FONASA ("Fondo Nacional de Salud"). After 25 years of existence, Chilean private health insurance covers a fluctuant percentage (correlated with economic cycles) that goes between the 15% and 20% of the population.

**Table 1. Evolution penetration public and private insurance in Chile (%)**

	1990	1992	1994	1996	1998	2000	2003
Public System	67.7	62.7	63.5	59.7	61.9	66.5	72.1
ISAPRE	15	20	23.6	24.6	23	19.8	16.3
None / particular	11.9	12.3	8	11	10.9	9.7	7.2
Other, don't answer...	5.4	5	4.9	4.7	4.2	4	4.4
Sum	100	100	100	100	100	100	100

Source: Socio-economic characterization survey, CASEN, [www.mideplan.cl](http://www.mideplan.cl)

If we consider information from one specific month, November 2006, private health insurance system has 2.535.742 users. They could choose between eight different companies (but an 83% is concentrated just in four of them), and their income deductions reached Ch\$76.237 millions (aprox.£76 million pounds), with an 80% concentrate in the four main companies.

**Table 2. Coverage and income deduction received by Private Health insurance companies in Chile, November 2006**

Isapres	Users			Deductions		
	Users	% Users	% Add	Total (\$Mill)	%	% Add
Isapre Banmédica	626,831	24.72	24.72	17,411	22.84	22.84
Consalud S.A.	570,659	22.50	47.22	13,158	17.26	40.10
ING Salud S.A.	526,221	20.75	67.98	16,152	21.19	61.28
Colmena Golden Cross	381,162	15.03	83.01	14,829	19.45	80.74
Mas Vida	212,820	8.39	91.40	6,877	9.02	89.76
Vida Tres	140,387	5.54	96.94	6,388	8.38	98.13
Normédica	49,634	1.96	98.89	1,175	1.54	99.68
Sfera	28,028	1.11	100.00	247	0.32	100.00
<b>Total isapres abiertas</b>	<b>2,535,742</b>	<b>100</b>		<b>76,237</b>	<b>100</b>	

Fuente: Superintendencia de Salud, Archivo Maestro de Beneficiarios, [www.sisp.cl](http://www.sisp.cl)

After recent reforms in the regulation body for the system (2004), health policies can be divided into four main products. First, any health policy has to cover a list of guaranteed medical events. They correspond to a list of 40 events that cannot be excluded and whose prices are previously stipulated by the system. Second, all private health policies include a catastrophic coverage, which works in case the expenditure associated with a medical event is bigger than a stipulated amount (up to some limit). Third, health insurance also covers (and control) their affiliate leaves (excluding maternity). And, finally, health insurance policies generally include some extra products, such as dental or international coverage.

Both public and private systems are financed by income deductions, which are compulsory to every dependent worker. 7% of each worker's salary is deducted monthly and used to cover health insurance expenditures. Any worker can decide if s/he wants to orientate this percentage to the public system or to some of the private companies. A person will be able to choose the private system if s/he can afford the minimum price associated with the offered health policy. In case 7% is not enough, this person could pay the difference. On the other hand, in case the 7% is bigger than the price of the correspondent policy, the user can choose either to save the difference or to use it to improve other person's policy (for example, wife or husband). In practical terms, private health insurance is mainly concentrated in the population with higher salaries. This does not mean that all the products are homogeneous. In fact, insurance companies have developed different policies (for example health plans orientated to different consumer targets). In general the more expensive the plan, the greater the range of choice (place to be attended) and the coverage include more luxury hospitals.

**Table 3. Health Insurance System by Income Groups (20%), Chile 2003**

	Income Groups				
	I	II	III	IV	V
Public System	87.5	80.1	67	53.4	29.6
ISAPRE	3.1	7.8	17.6	29.5	54.2
None (particular)	8.5	9.7	10	10.3	10.4
FFAA and order	0.5	1.6	4.4	5.6	4.8
Other system	0.1	0.3	0.3	0.6	0.6
Don't know	0.4	0.6	0.7	0.6	0.4
Sum	100	100	100	100	100

Source: Socio-economic characterization survey, CASEN 2003, [www.mideplan.cl](http://www.mideplan.cl)

As economists Aedo and Sapelli have explained, the pricing system for insurance is different in the private and public sectors in Chile (Aedo & Sapelli 1999). In the public system all the affiliates pay the 7% of their salary each month (or access to special plan in case they are unemployed), increasing the premium as the salary is higher, without changing the benefits. Private insurance has two important differences: first, better salaries are associated with higher policies, and second, the premium is risk dependent, but in a regulated way. In contrast to other private policies, Chilean health pricing can be associated just with two main factors: age and sex. In other words, policies orientated to women and old people are more expensive than those orientated to men and young users. In fact, as the next table show, private health insurance is especially restrictive for elderly people.

**Table 4. Public and Private health insurance system by age and sex, Chile 2003**

		0 - 4	5 - 19	20 - 39	40 - 54	55 - 69	70 or more	total
Male	Public System	75.6	74.6	62	65.7	74.4	83.5	69.5
	ISAPRE	16.9	16.1	19.7	18.6	13.1	5.5	17
Female	Public System	76.9	74.4	71.2	72.6	79.9	84.7	74.5
	ISAPRE	15.9	16.8	17.8	17.2	10.6	4.9	15.7

Source: Socio-economic characterization survey, CASEN 2003, [www.mideplan.cl](http://www.mideplan.cl)

Not considering other risks in the pricing system does not mean that they are not evaluated. In fact, in order to switch between companies or to move to the private system, the user has to declare his/her medical history. With this history insurance companies can establish a risk pattern and find pre-existences. Pre-existences are past medical events that can have future consequences not covered by insurance under current Chilean regulation. So, after declaring their medical history, potential users can be accepted without restrictions, accepted with some

pre-existences (that wont be covered), and finally, in case the individual pattern is considered potentially too expensive, rejected<sup>2</sup>.

As I have said, the main aim of this paper is to delimitate the commodity involved and what has been commoditised in Chile's private health insurance. Up to now, it is clear that there is a market exchange. There is a user that, in case s/he opts for the private system, can decide to which company they direct the 7% of her/his income. On the other hand, there are companies offering particular products that are associated with different prices. But, what are these policies? how are they priced?, and what happen with them after being priced? Of course, any person that knows something about the way insurance works could easily answer these questions. A health policy is a contract that establishes the condition when (and how) future medical events will be financially covered, and, the price is defined considering actuarial information as a function of the risk associated with the characteristic of this particular contract. However, in cultural economics terms, there is here a complex and creative process here that it is important to reveal. But before doing that, it is necessary to review some conceptual antecedents.

## **II. Insurance, commodity and value**

The relation between insurance and the commodity, as with that between risk and monetary value, has not just been topic of finance and insurance economics. In the current section I will present three important antecedents from where the discussion can be organized, these have been respectively developed by sociologist Viviana Zelizer, anthropologists Benjamin Lee and Edward LiPuma, and cultural theorist Joost Van Loon. As we will see in the last section, even though not exactly connected with the case here studied, these works can be seen as helpful tools to unfold the commodity's nature in the private health insurance in Chile.

### **a. Commodity, value and equivalence (Zelizer)**

Probably Viviana Zelizer's main theoretical influence is Simmels main theoretical is *Philosophy of Money*, and, especially the relevance that Simmel assigned to the interaction between subjective value and economic price (Simmel 1990). As Zelizer explains, instead of being interested in the way culture is increasingly commoditised, or the way markets exchanges depend in some kind of previous cultural integration, her main concern is with studying the ways cultural and economic value are empirically linked and how they are all the

---

<sup>2</sup> One of the particularities of the early regulation of the system is that the user of private insurance has benefits only if they gain access to private health institutions. The plan was, and following the principle of a 'subsidiary state', to concentrate public hospitals on the people that cannot afford private attention and to give an incentive to insurance companies to invest in private installations. This fact, plus the mentioned 'risk selection' has produced the practical existence of two health systems in Chile, where the private concentrate those people with higher incomes and low risk.

time influencing each other (Zelizer 1994). Zelizer's early work focused historically on the insurance industry in the United States, specifically Life and Child insurance in the XIX century (Zelizer 1983, 1985). They are both about how these systems were originally heavily criticized by introducing 'profane' monetary calculation in 'sacred' spaces, and the way, in both cases in order to succeed, the product ended up being, in some sense, sacred. To understand this more carefully, let's focus our attention on one of these studies, on child insurance.

As the author explains, insuring children's life in the United States started as a service orientated to working class families (Zelizer 1981, 1985). These families paid relatively low weekly policies, potentially receiving a compensation, just enough to cover children's burial ceremony. The system was quickly a big success, but, at the same time it was heavily criticized, even going to court in some of the States. Critics claimed that insuring children means associating them with an economic price, which, considering the poverty of the families involved, can even be an incentive to their murder. These claims, Zelizer explains, made sense in the context of a cultural process of 'de-commodification' of children in the XIX century. From a situation where an important proportion of kids used to help to the reproduction of the domestic economy with their own wage, they were increasingly considered as the economically useless but emotionally priceless modern figure that is now common. The critics' main aim was to defend this priceless status, which, they thought, was being questioned by this insurance. However, the insurance industry, and this is mainly why these policies were not banned, offered this product not as a rational act of saving, but defended it as an act of affection and reciprocity. In other words, the insurers' campaigns stressed that by contracting this policy, and then potentially claiming the compensation, parents would not receive anything comparable with the 'priceless' loss, but they could, in some sense, return some of their love by giving them a proper funeral.

Zelizer's work illuminates two important points to be considered in the analysis of insurance as a commodity. First, at least in the cases of life and child insurance, in order to be insurable, the price of the protected thing goes far beyond the potential compensation. In fact, paradoxically, the insurance business works better when, because it is so emotionally loaded or is considered sacred, the potential loss is priceless. Second, insurance does not price the thing to be covered. Insurance does not give you back what you lost (life, child, health or even your family property), it just can help in covering the potential financial consequences associated with these particular events. Insurance, we could say, works in a particular tension between equivalence and non-equivalence; between what is lost and its monetary

compensation<sup>3</sup>. Although very relevant, Zelizer's points are not yet enough. She has helped us to see the tension between equivalence and non-equivalence, but she does not explain the way the loss and the compensation are connected and the role risk plays in this process.

#### **a. Abstraction and risk commoditization (Lee and LiPuma)**

While Zelizer has developed an historical approach to XIX century insurance influenced by Simmel, anthropologists Benjamin Lee and Edward LiPuma are interested in current derivatives markets, and their work follows Marx's idea of "commodity fetishism". Derivatives are financial tools to deal with risk in future exchanges (Arnoldi 2004). In order to claim an option, or make a future contract, a future price has to be settled. However, the established price is just a present estimation, which, for example due to a variation in exchange rates, can be inaccurate. Derivatives are financial products that detach the asset's future exchange from the potential volatility of its price. In derivatives, the risk associated with the future transaction is assumed by a third party, who bets on the relationship between the estimated price and its volatility over time.

Lee and LiPuma's analysis is analogous with Marx's research on capital, value and commodity. For Marx (Marx 1981: Chap 1), under capitalism exchange appears as a relation between objects. Value seems to be based on an abstract relation of equivalence (price) between commodities, as if objects themselves have the ability to make relations between themselves. This situation obscures social relations from where value is really extracted (labour) making the market appears as an autonomous sphere (Lee & LiPuma 2002). Lee and LiPuma suggest financial capital is also based on a social process of abstraction. To make derivatives possible, specific situations (for example, a political crisis in Brazil) are detached from the concrete relations where they are produced. This detachment is reached through the representation of this situation in some kind of abstract measurement, (i.e. an international risk index). Once specific situations are abstracted, they can be associated and compared with other different options, and, thanks to complex mathematical operations, priced (LiPuma & Lee 2005). In this sense, the risks involved with future crop sales can be compared with the future exchange rate between currencies from two emergent economies. The main argument in their work paper is that derivatives objectify concrete risk, which had been previously part of a social process of abstraction (LiPuma & Lee 2005). As with the fetish described by Marx, financial markets seem to be autonomous self-referential entities, forgetting that they are attached to concrete situations. The main difference is that, while in

---

<sup>3</sup> In a very influential paper Ewald has also stressed the duality between "the uniqueness of the irreparable" and the "indemnifiable risk", the difference is that for him this tension is overcome by insurance's ability to price everything: "One can always argue that life and health are things beyond price. But the practice of life, health and accident insurance constantly attests that everything can have a price, that all of us have a price and that this price is not the same for all" (Ewald 1991: 204).

the market described by Marx, the final source of value is labour, here it is concrete risk (time) that has been detached and objectified.

Even the most complicated derivatives are a kind of insurance. They are based on making future expenditures in some specific item an average that can be estimated in the present. In the same sense, when you contract a health policy, your expenditure on health, in the period included in the contract, becomes relatively constant (an average). The difference between this average expenditure (i.e. a monthly premium) and the actual health expenditure in the future is the risk involved in this transaction. The insurance business is betting against this risk. To make this possible, as with derivatives, risk has to be detached from the specific expenditures. This is possible in a process that abstracts the specific situation involved in each kind of market (i.e. health) from those related to the persons involved in this exchange and transforms it into something that can be measured, compared and priced.

Lee and LiPuma's work is useful for understanding how insurance is based on a process of abstraction, where risk plays a core role. For them this process 'commodifies' concrete situations from where they were taken, in the sense that they transform economic and political relationships into singular homogeneous objects<sup>4</sup>. However, as we saw in the last section, insurance does not try to represent the situation they are covering. Insurance's business is based on a duplication of the world: the specific qualitative situations and the abstract risk that can be priced. Lee and LiPuma seem to consider the qualitative side as more real situations, which are badly mirrored by less real abstractions. It is not clear why one of these levels should have a stronger ontological status. This does not mean that powerful creations, such as derivatives, cannot be studied in a critical way, but this should be related to how they change the world they inhabit and help in creating without necessarily assuming ontological priorities<sup>5</sup>. A second limitation has to do with a classical social science way of studying technical processes, unveiling their social character as a main conclusion. However, even in their account, risk abstraction is not just a social process. It involves multiple kinds of actors, not just humans or human communications: they also speak about formulas, mathematical constructions, computer screens and risk indices. Some contemporary studies of financial markets have addressed these points better (Mackenzie 2006, Mackenzie & Millo 2003, Knorr Cetina 2005, Knorr Cetina & Bruegger 2002) and others have studied the socio-technical character of economic exchanges (Callon 1998, Callon & Muniesa 2005, Lui, Mackenzie &

---

<sup>4</sup> "This is what commentators mean when they say that what characterizes the present financial system is the 'commodification of risk': namely, that the vast array of social, economic and political relationships that engender specific risks (re) appear as a singular homogeneous object. As the analysis has sought to indicate, this commodification does give the market the tools to unify, quantify and price these forms of risks, but it does this at a great and hidden cost: the manner in which the financial community has chosen to commodify risk makes it impossible to price the socio-historical risk that a revolutionary event will occur or to price the systemic risk to the circulatory system as a whole" (LiPuma & Lee 2005: 416)

<sup>5</sup> "The process of objectification is central because derivatives are not concrete, but socially imaginary objects that use the classifying powers of language to tie together sets of distinctive and separate relations" (LiPuma & Lee 2005: 408)

Muniesa forthcoming), but Joost Van Loon who has tried most explicitly to address how risk is a socio-technical construction and its relation to economic value.

## **b. Value, signification and translation: Van Loon**

Joost Van Loon is a cultural theorist. He has tried to understand the role risk plays in contemporary technological culture (Van Loon 2002). His theoretical sources are wide, from Heidegger's ideas concerning technology, to contemporary bio-philosophy (such as Deleuze, Guattari and Haraway), and Actor-Network theory.

There are three ideas stressed by Van Loon's to be considered here. First, risks are enacted in socio-technical networks, being the product of a triple process of translation<sup>6</sup>. Socio-technical devices, like microscopes, surveys or ethnographic interviews, allow the visualisation of new potential threats. Once these threats are visualized, they are connected with some other actions or objects by mechanisms of signification, such as statistical analysis, theoretical frames or rhetorical devices; and, finally, these connections can be themselves compared with other networks, in case they are valorised, or associated with some common equivalent<sup>7</sup>. Second, this translation network is neither a social construction nor an objective discovery, it is a creative process of making associations (Latour 2005), which not only connect different things, but bring forth something new (Heidegger 1977). Third, risk networks are part of a paradoxical process of revelation and concealment. Tracing associations, unveiling risks, at the same time opens up the possibility of new connections, and then new risks, or, as Michel Callon has put it, socio-technical associations are continuously overflowed by their own possibilities (Callon 1998b).

Van Loon's points are important theoretical antecedents to the discussion about insurance presented here. From this point of view, insurance companies can be understood as 'translation machines'<sup>8</sup> that are continuously looking for new sources of risk. The insurance business is not just about betting on the difference between potential expenditures and premiums. These companies are all the time visualising new threats (as potential bad uses of the system, possible new technologies, future market changes, consumer tastes or new

---

<sup>6</sup> It is important to remember that, in this context and following Michel Serres, "translation" means an active and creative process (Callon 1986).

<sup>7</sup> "This correlation between a risk of death and the activity of a factory, established by means of laboratory experiments and epidemiological research, creates a link between two distinct series of events. But if this relationship (between a discharge and death) becomes calculable by agents, it is not enough merely to prove its existence; it has to be expressed in the same units. This is where money comes in. It provides the currency, the standard, the common language which enables us to reduce heterogeneity, construct an equivalent and to create a translation between molecular or chemical substance and human life. Money comes in last in a process of quantification and production of figures, measurements and correlations of all kinds" (Callon 1998a).

<sup>8</sup> Machines in the sense of heterogeneous assemblage stressed by Deleuze and Guattari: "The principle behind all technology is to demonstrate that a technical element remains abstract, entirely undetermined, as long as one does not relate it to an *assemblage* it presupposes. It is the machine that is primary in relation to the technical element: not the technical machine, itself a collection of elements, but the social or collective machine, the machinic assemblage that determines what is a technical element at a given moment, what is its usage, extension, comprehension, etc." (Deleuze and Guattari 1998, quoted in Van Loon 2002: 72).

epidemiological patterns), which are understood as risk factors (by different techniques of signification), and then priced by actuarial systems. In this continuous process, all the different entities that are related by the insurance companies are seen as potential sources of risk; and insurance's activity is orientated to 'guide' others' conduct, opening up at the same time new sources of risk<sup>9</sup>.

### III. Health insurance as a commodity

As I have said, the main aim in this paper is to delimit what is being commoditised in the private health insurance in Chile and what are the consequences of this process. The literature reviewed in the last section helps us to understand the commodity aspect of health insurance by introducing three main points. In the next paragraphs I will explain these points, referring to examples taken from interviews with experts in the Chilean system.

First, following Zelizer's ideas, we have suggested that the insurance pricing system is based on a particular tension between equivalence and non-equivalence. Something priceless is associated with another thing (or service) that can be economically valorised. The loss will never be recovered, but insurance can help to make it less terrible. Health cannot be priced; in fact it is even very difficult to define conceptually. Insurance policies have more to do with the bad luck of being unhealthy, and the way this situation will be sorted out. In the particular case of the Chilean private insurance, this 'sorting out' has been understood as good quality medical attention in private institutions. At least in a private system, medical attention can be easily priced. However what is understood as the minimum health coverage included in the health policy is a much more complex thing. In fact, there has been a huge political discussion concerning the regulation of the system and what have to be compulsorily included in all the policies. Interestingly enough, in this context, the critics to the system has been framed in opposition to the 'commoditization' of health, which, on the other hand, has been addressed as an 'ideological' discourse by the speaker of the industry. This can be understood as part of the problem associated with the tension between equivalence and un-equivalence: health and minimum medical care.

Second, the tension between a priceless thing and priced compensation is not enough. To work, insurance needs to address a second difference: between the priced compensation and

---

<sup>9</sup> Here I refer to the notion of 'guidance' (*'steuerung'*) introduced by Helmut Willke to understand the way a self-referential system can orientate other self-referential systems' actions while maintaining their autonomy (Willke 2006). Of course, systemic conceptions of power, as Christian Borch as explained, are not far from Foucault's *Government* defined as 'conduct of conduct' (Borch 2005). The later point can be connected with Ewald's association between insurance, power and risk, but not assuming these institutions as a kind of centre in the social organization. "Insurance becomes *social*, not just in the sense that new kinds of risks become insurable, but because European societies come to analyse themselves and their problems in terms of the generalized technology of risk. Insurance, at the end of the nineteenth century, signifies at once an ensemble of institutions and the diagram with which industrial societies conceive their principle of organization, functioning and regulation. Societies envisage themselves as a vast system of insurance..." (Ewald 1991: 210).

the associated (financial) risk. Health insurance's commodity aspect is not the cost associated with present or future medical events. The commodity is the risk, the difference between the average future health expenditure and its volatility. When someone contracts a health policy, they will pay a monthly average health expenditure (making future constant) plus the surplus associated with leaving their personal risk in the insurer's hand. As Lee and LiPuma explain for derivatives', insurance's commodity aspect can be seen as the product of a process where concrete risk is abstracted and objectified. As Van Loon points out, this is a socio-technical process, of visualization, signification and valorisation of risk. But the main point is that is not just that medical care can be economically valorised, it is risk that has been commoditised.

"Let's see, I think the product ISAPRES [Private Health Insurance] sell is risk reduction, you don't buy them medical services (even if they have it, this for cost reduction), and fundamentally eliminate financial risk. When I am insured by an ISAPRE, or another private insurance, I have more security in case I get sick, this won't become a catastrophic risk for me [...] Risk reduction is not to having to sell your house when your daughter gets sick, not having to get deeply into debt and spending twenty years to pay that. Remember, if you get into a hospital the bill starts from fifteen millions. Fifteen million for someone who earns \$300.000 is a world! This is that you are buying: you don't have to pay for fifteen years, just for four. This may be a world as well, but it will be an affordable one, it won't be a catastrophe. This is what you buy, reduction of this possibility once the event happens" (MA Chicago University, Professor Economics Department Pontificia Universidad Católica de Chile)

It is important to consider here that a core element in the insurance business is the way risk is limited: private insurance always provides limited coverage. This has been hugely discussed in Chile. Until the mid 2000s, the service was criticized because it covered highly probable and un-expensive events, well but not low probability but (economically) catastrophic ones. In fact, some experts argued that the system was working as a kind of saving account, but not as a proper insurance. Finally, after media and governmental pressure, the companies associated in the ISAPRES Association agreed to incorporate a Catastrophic Coverage in all of their new policies, which works in case the cost associated with some medical events are higher than a delimited price. Of course, this coverage also has its own limit, but the discussion is interesting, in the sense that it shows the definition of risk (or what is assumed as a risk to be covered) is a contested (and evolving) event<sup>10</sup>.

Third, insurance companies read in a creative way their environment in terms of risk; in this sense they are continuously looking for new sources of risk, opening up in this process itself new potential threats. As we have mentioned, in health insurance, risk is the difference

---

<sup>10</sup> At least in the Chilean system, this relation has changed several times, and it has been continuously discussed. The study of this evolving connection has to do with what in the first section was defined as the product, and it is going to be developed in a future work (Ossandón Forthcoming).

between predicted average health expenditure and their actual cost. Risk evaluation has to do with both: with finding new ways of defining averages and forecasting changes in future health expenditure. Establishing new averages is connected with finding new statistical factors that can be correlated with future health expenditure, and using them to pool and un-pool groups of users. As it was mentioned in the first section, Chilean health insurance companies can differentiate their premium by sex and age; and they can establish medical restrictions in case they find some pre-existence event. For a given pre-existence to be relevant, there has to be previous information that connects the visualized past to potential costly events in future. This at the same time is source of continuous controversies between potential users and insurers, which generally are settled through medical exams. On the other hand, to forecast future expenditure, insurance companies are all the time studying their environment looking for events that can increase their future costs, in fact, a very important part of the work in these companies is trying to control them. 'Sharing risk' strategies seem to be the favourite in the Chilean health insurance system. Current examples are: introducing users' co-payments in medical events (for example, paying 10% of inpatient events); instruction of 'administrated plans', where the users' health is administrated by a GP who is associated to the insurance company; or deals between the insurance companies and medical providers in order to give incentives for reducing some extra costs. In terms of our discussion, in all of these cases in some sense the commodity is being divided, negotiated, and, at the same time, the insurance is constituted as a kind of engine that is continuously trying to control others' future expenditures.

To summarize, the current work has developed some concepts needed to ask about commoditisation of risk in insurance industries. The work is orientated to frame the analysis of empirical issues appeared after 25 years of private health insurance in Chile. However, the ideas developed here can also be useful tools to understand the economic nature of risk in contemporary capitalism

## References

- Aedo, C. and Sapelli, C.** 1999 'El sistema de salud en Chile: readecuar el mandato y reformar el sistema de seguros', *Estudios Públicos* 75(Invierno): 189-227.
- Appadurai, A.** 1986 'Introduction', in A. Appadurai (ed) *The Social Life of Things: commodities in cultural perspective*, Cambridge University Press.: Cambridge.
- Amin, A. and Thrift, N.** 2004 'Introduction', in A. Amin and N. Thrift (eds) *The Blackwell Cultural Economy Reader*. Blackwell.
- Arnoldi, J.** 2004 'Derivatives. Virtual Values and Real Risks.' *Theory, Culture & Society* 21(6): 23-42.

- Baker, T. and Simon, J.** 2002 'Embracing Risk', in T. Baker; and J. Simon (eds) *Embracing Risk. The changing culture of insurance and responsibility*, London: The University of Chicago Press.
- Beck, U.** 1996 'Risk Society and Provident State', in S. Lash, B. Szerszynski and B. Wynne (eds) *Risk, Environment & Modernity. Towards a new ecology.*, First Edition, London: Sage.
- Borch, C.** 2005 'Systemic Power. Luhmann, Foucault, and Analytics of Power', *Acta Sociologica* 48(2): 155-167.
- Callon, M.** 1986 'Some elements of a sociology of translation: Domestication of the Scallops and the fishermen of St Brieuc Bay', in J. Law (ed) *Power, action and belief: a new sociology of knowledge?*, London: Routledge.
- 1998a 'Introduction: The embeddedness of economic markets in economics', in M. Callon (ed) *The laws of the markets*: Blackwell Publishers / The Sociological Review.
- 1998b 'An essay on framing and overflowing: economic externalities revisited by sociology', in M. Callon (ed) *The laws of the markets*: Blackwell Publishers / The Sociological Review.
- Callon, M., Méadel, C. and Rabeharisoa, V.** 2004 'The economy of qualities', in A. Amin and N. Thrift (eds) *The Blackwell Cultural Economy Reader*. Blackwell.
- Callon, M. and Muniesa, F.** 2005 'Economic Markets as Calculative Collective Devices', *Organization Studies* 26(8): 1229 - 1250.
- Chamberlin, E. H.** (1946) *The Theory of Monopolistic Competition: A Reorientation of the Theory of Value*, 5th edn, Cambridge: Harvard University Press.
- Ericson, R. and Doyle, A.** 2004a 'Catastrophe risk, insurance and terrorism', *Economy and Society* 33(2): 135-173.
- 2004b *Uncertain business. Risk, insurance, and the limits of knowledge*, Toronto: University of Toronto Press.
- Ericson, R., Doyle, A. and Barry, D.** 2003 *Insurance as Governance*, Toronto, Buffalo, London: University of Toronto Press.
- Ewald, F.** 1991 'Insurance and risks', in G. G. Burchell, C; Miller, P (ed) *The Foucault Effect: Studies in Governmentality*, London: Harvester Wheatsheaf.
- 1999 'Genetics, insurance and risk', in T. McGleenan, U. Wiesing and F. Ewald (eds) *Genetics and Insurance*, Oxford: BIOS Scientific Publishers Limited.
- 2002 'The return of Descartes's Malicious Demon: An outline of a Philosophy of precaution', in T. Baker; and J. Simon (eds) *Embracing Risk. The changing culture of insurance and responsibility*, London: The University of Chicago Press.
- Giddens, A.** 1991 *The consequences of modernity*, Cambridge: Polity.
- Heidegger, M.** 1977 *The question concerning technology, and other essays*, New York: Harper & Row.
- Knorr Cetina, K. and Bruegger, U.** 2002 'Global Microstructures: the virtual societies of financial markets', *American Journal of Sociology* 107(4): 905-950.

- Knorr Cetina, K.** 2005 "From Pipes to Scopes: The Flow Architecture of Financial Markets" in A. Barry & D. Slater (eds.), *The Technological Economy*, London: Routledge.
- Latour, B.** 2005 *Reassembling the Social. An introduction to Actor-Network-Theory*, Oxford: Oxford University Press.
- Lee, B. and LiPuma, E.** 2002 'Cultures of Circulation: The Imaginations of Modernity.' *Public Culture* 14(1): 191–213.
- LiPuma, E. and Lee, B.** 2005 'Financial derivatives and the rise of circulation', *Economy and Society* 34(4): 404-427.
- Lui, L., MacKenzie, D. and Muniesa, F.** (eds) Forthcoming *Do Economists make markets?*
- Marx, K.** 1981 *Capital: a critique of political economy*, Harmondsworth: Penguin Books in association with New Left Review.
- MacKenzie, D.** 2006 *An Engine not a Camera. How financial models shape markets*, Cambridge: MIT Press.
- MacKenzie, D. and Millo, Y.** 2003 'Constructing a Market, Performing Theory: The historical Sociology of a Financial Derivative Exchange', *American Journal of Sociology* 109(1): 107-145.
- Novas, C. and Rose, N.** 2000 'Genetic risk and the birth of the somatic individual', *Economy and Society* 29(4): 485-513.
- Ossandon, J.** 'Healt economics performing insurance market in Chile', paper to be presented in *Economics, market, knowledge and Culture*, Goldsmiths, March 2007.
- Simmel, G.** 1990 *The philosophy of money*, London: Routledge.
- Van Loon, J.** 2002a *Risk and Technological culture*, London: Routledge.
- Willke, H.** 2006. **La Transformacion de la Democracia como modelo de orientacion de las sociedades Complejas. Estudios Publicas 102.**
- Zelizer, V.** 1981 'The Price and Value of Children: The Case of Children's Insurance in the United States', *American Journal of Sociology*(86): 1036-56.
- 1983 *'Moral & Markets' the development of life insurance in the United States*, New Brunswick: Transaction Books.
- 1985 *Pricing the Priceless Child. The changing social value of Children.*, New York: Basic Books.
- 1992 'Human Values and the market: the case of Life Insurance and death in 19th-century America', in M. Granovetter and R. Swedberg (eds) *The Sociology of Economic Life*, Boulder, San Francisco, Oxford: Westview Press.
- 1994 *The Social Meaning of Money*, New York: Basic Books.

**José Ossandón**  
**Centre for Cultural Studies, Goldsmiths, University of London**  
[jose.ossandon@gmail.com](mailto:jose.ossandon@gmail.com)