

1989 SAW RECORD NUMBER OF NEW MAGS: The number of new magazines is increasing every year, says expert Samir Husni. In '85, 231 new mags debuted. In '89, this more than doubled to a record 580. "Whether this is the peak of the bell curve or not remains to be seen," says Husni.

Contributing Factors A) Cocooning may lead consumers to participate in activities via "armchair involvement" and fantasy;

B) Cable Programming. As specialty channels proliferate, viewers want more on a given theme. Magazines complement editorial concepts. MTV spurred interest in video music, resulting in huge increase of new music mags. Same is true with kids, sports, automotive & lifestyle mags.

C) Big Issues, like ecology, create hunger for more. Mags like Garbage, E, Buzzwork, Trilogy feed the need.

Other Facts 1. Average cover price is \$3.51;

2. Average length is 87 pages;

3. Despite AIDS -- plus flurry of lobbies to censor & regulate porn -- "sex" is biggest new category for 2nd year in a row. Most, however, a) carry warning that fantasy is mag's sole purpose; b) encourage safe sex, showing publishers are paying attention;

4. New mags are reader-supported, with ratio 80% editorial to 20% ads.

(Husni's guide is available for \$50 from U Miss. Dep't of Journalism, University, MS 38677; 601/232-7146)

ITEM OF INTEREST TO PRACTITIONERS

¶ A Really Big Communications Turnoff: the increasingly universal phrase, "I'll give him/her the message." It implies "I take no further responsibility for seeing that your needs as a customer or client are met. If my boss doesn't call, don't expect me to be concerned. I'm just an answering service." To the caller, the person who answers the phone is the organization. Admittedly, it may not be possible to ensure that a call is returned, but this disinterested phrase can be self-fulfilling. It certainly creates doubt in the mind of the recipient. If the person called is not there, the answerer should tactfully find out the subject matter of the call. This often encourages a call back, or lets the call be routed to someone else. One or 2 instances like this can undo hard-earned relationships.

INSURANCE COMPANIES' PUBLIC PERCEPTION PROBLEM IS SEVERE, AS SHOWN BY CONSTANT CONSUMER, MEDIA & LEGISLATIVE BASHING; WHAT CAN AN INDUSTRY DO WHEN ITS REPUTATION REACHES A NADIR?

As disgust increases over continuous rate hikes, anger is turning into action on several fronts: a) an increasing number of customers are reducing or dropping insurance coverage; b) several state legislatures are slashing workers compensation rates, saying they make their industries uncompetitive; c) others are pushing for legislation similar to Calif's Proposition 103; d) over 37 million have no health insurance; e) in the corporate sector, a third of service & manufacturing companies are considering slashing medical benefits, says study by Nat'l Institute of Business Management.

PERCEPTION PROBLEMS ABOUND Industry spokespeople maintain theirs is a perception problem: the legend has it they make a killing, profit margins are actually low. "It's an age-old question," Whit Lancaster, dpr, Liberty Mutual (Boston), told prr. "If you tell people you're losing money, will they ever believe you? Consumers are not happy, but everyone is losing right now." Charles "Bud" Clarke, exec vp, Insurance Information Institute (NYC) adds: "People don't realize that for an insurance company to pay the ultimate coverage (in case of disaster), they have to charge."

Pat Schoeni of Healthcare Insurance Ass'n of America (DC) agrees the biggest pr problem may be a spoiled public. "The public doesn't understand the role of insurance. People have come to expect insurance as a societal right, that someone should provide for them. They don't feel they should have to foot the bill." Augmenting this is public's inability to see the relationship between higher medical costs, state-of-the-art medical care and higher premiums. "People say, 'my insurance went up' and blame the in-between mechanism, insurance, instead of looking to medical costs, which are rising at twice the

"What is 'insurance'?" Clarke asked prr. "It's life and casualty, property, business, health.... The list goes on." That's part of the problem -- the public perceives the industry as a monolith rather than a conglomeration of several very different types of companies. Research shows that people define the entire industry and all of its players by their experience with an individual carrier in a specific industry segment. In other words, their opinion of "insurance" may be based on a single telephone conversation with one agent.

rate of inflation." And, everyone wants the latest technology for the slightest injuries -- who is supposed to pay for it? But -- who is supposed to educate the public?

The industry has long pushed -- unsuccessfully -- for tort reform which would cut costs within the system. But respect from public remains low. In a recent poll of public's regard for various professions, agents ended up below lawyers, only slightly above car salesmen.

CAUSAL FACTORS FOR RATE HIKES Industry maintains that rate increases reflect societal factors beyond its control:

- 1. New medical considerations, e.g. expensive tech advances; AIDS, aging publics. Lancaster says too many hospitals compete with "quantity," rather than "quality" care. "Not every hospital needs a cardiac replacement unit. Perhaps there should be one such center within 25 or 30 miles."
- 2. Lawsuits proliferate. a) Against doctors who are overtesting and overtreating patients to avoid malpractice suits. (Here is where industry segments overlap); b) Auto -- "More and more people are suing, but the number of accidents have remained the same." It's as tho a "lottery" mentality has taken hold.
- 3. Fraud. About 10% of auto premiums cover fraud, according to Newsweek.

INDUSTRY INITIATIVES Companies are pulling out of certain states or even closing up shop. Who can blame them if nobody likes them and they make no money? Still others, like Liberty, are pushing for reform, trying to build consensus. But there are thousands of insurance carriers, so consensus is difficult. Some initiatives already being taken:

¶ Reach-Out Programs. 1) Liberty is conducting focus groups with consumers in New Jersey, which just legislated a major rate decrease; 2) III has established an industry-wide helpline to answer customers' questions & concerns; 3) In some states, insurance companies are banding together and forming speakers' bureaus to explain exactly what's going on.

¶ Reform Efforts. Advocacy groups coordinate efforts of customers and insurers. One is Advocates for Auto & Highway Safety (DC). It lobbies for seatbelt, drunk driving, airbag & motorcycle helmet legislation.

Larry Kibbee, vp-pa, Alliance of American Insurers (Shaumberg, Ill): "The key point of this whole thing is that we have to get the stakeholders into the process to see how accommodations can be made. Trial lawyers have not been very participative in advocacy for reform. The legal, medical, insurance sectors must come together and decide what to do."

The industry seems to show some promise of coming to a consensus with certain stakeholders, e.g. customers and the medical community. But it seems unable to forge relationships with the legal community -- trial lawyers, in particular. "They have a vested interest," says Lancaster. "It would be hard to reach a consensus with them. They get 25-30% of every dollar from a settlement." Clarke adds: "Trial lawyers are outspoken critics of the insurance industry's support of change and tort reform."

Of Related Interest...

HOW CALIFORNIA VOTERS WON PROP 103 DESPITE HUGE INDUSTRY BUDGET

An aroused public, 200,000 volunteers & an inept counter-campaign by the insurance industry enabled broad-based consumer group Voters' Revolt (IA) to win a referendum for auto insurance reform. The industry spent \$70 million on the campaign, VR only \$3 million.

VR had 150 days to procure 600,000 signatures to get referendum on the ballot. It got 500,000 thru a direct mail solicitation which also asked for a \$5 contribution. Insurance industry fought back by introducing 3 other referenda, including no fault insurance -- with a 4th by the trial lawyers. Angered by this attempt to confuse voters, Voters' Revolt exec dir Harvey Rosenfield seized on a publicity stunt: dressed in jeans, he drove a truckload of horse manure to the Farmers' Group Insurance Co. with a slogan on the truck saying: "No Fault Initiative is just plain bull."

Altho he doesn't expect top insurance management to be able to work through its "institutional inertia," Rosenfield offers this advice to industry pr practitioners:

What really helped differentiate Prop 103 from the others was Ralph Nader's endorsement -- clearly the old fox is still a power with consumers.

- 1. Don't expect to be able to mislead the public once an issue graduates from low saliency to high visibility & public commitment;
- 2. Don't spend so much on slick advertising. People will go away feeling that something was put over on them;
- 3. Stop representing only the company's viewpoint on an issue. Take the consumer's viewpoint.

Barry Walker, assoc vp, Alliance of American Insurers (Atlanta), concedes the industry's mistakes qualify it for mention in a "Failures 101" course. Objectives weren't clear -- the 20-member board was divided on goals. Messages weren't focused & simplified. The campaign lacked unity of command. But the industry is slowly learning from defeat. It's doing more polling & meeting with consumer groups. To overcome low public confidence, the industry now knows it must lower costs & wage public campaigns to help reduce accidents -- thus reducing claims.