

May 27, 2008

Mr. Tim Paradis
President
The Deadline Club
15 Gramercy Park South
New York, NY 1003

Dear Mr. Paradis,

We are writing to express our dismay at the way in which the integrity of the judging was compromised in the Deadline Club's review of "The Insurance Hoax," by Bloomberg News. We are concerned that advocates for the insurance industry played an inappropriate – and undisclosed – role in the process.

"The Insurance Hoax," which comprises two stories published on Bloomberg News and in Bloomberg Markets magazine by reporters Gary Cohn, David Dietz and Darrell Preston, was a finalist in four categories in this year's Deadline Club Awards. No other entry was a finalist in as many categories.

On April 1, we learned that the "Insurance Hoax" stories had placed in the following categories:

- The Daniel Pearl Award for Investigative Reporting: "Home Insurers' Secret Tactics Cheat Fire Victims, Hike Profits" (Bloomberg News, Aug. 3, 2007), by Dietz and Preston; "Bribed Regulators Deceiving FBI Roil U.S. Insurance Customers," by Dietz, Cohn and Preston (Dec. 27, 2007)
- News, Series or Investigative Reporting (magazines): "The Insurance Hoax" (Bloomberg Markets, Sept. 2007), by Dietz and Preston
- Business News, Series or Investigations:
The same finalists as for the Pearl Award
- The James Wright Brown Public Service Award:
The same finalists as for the Pearl Award

Two days later, on April 3, Sam Friedman, a Deadline Club member who is editor-in-chief of National Underwriter P&C, a trade publication, published a column on the Internet entitled "Hatchet Job Up for Journalism Award!" Friedman, who is a frequent defender of the insurance industry and regularly appears as a speaker of the insurance industry and regularly appears as a speaker at industry functions, paraphrased Insurance Information Institute President Robert Hartwig as saying "Insurance Hoax" had "a plethora of factual errors."

Friedman said in his column that he would protest to the Club about "Insurance Hoax's" status as a finalist. He urged others in the insurance industry to do the same: "Contact the Deadline Club at info@deadlineclub.com to complain." He said in his column he expected "to be dismissed as an industry shill."

Friedman never took the basic journalistic step of asking Bloomberg to comment on the “Insurance Hoax” before he condemned it as a “hatchet job” in his online column.

Friedman’s campaign had an impact.

On May 5, Deadline Club President Tim Paradis emailed Bloomberg News Awards Coordinator Leslie Fox saying the Club had some “questions” about the “Insurance Hoax” entries. The next day, the Club sent Bloomberg a four-page memo with nine allegations of inaccuracy. The memo said the Club had received complaints from National Underwriter (Friedman was not specifically named) and from Hartwig of the Insurance Information Institute.

The Club said it had reviewed the industry’s allegations and done its own “research.” The club, according to the memo, had determined that the articles had inaccuracies. “In the end,” the Club concluded, “our research highlighted parts of the article with incorrect, inexplicable or questionable material.” In other words, before contacting Bloomberg, the Club had already decided “Insurance Hoax” had factual mistakes. The Club – according to a memo whose author was not identified – had already found Bloomberg guilty.

The nine specific points the Deadline Club presented to Bloomberg were familiar. They were essentially a replication of the points raised by Robert Hartwig and his colleagues in writing and in person – and later reprised by Sam Friedman in his column – after the first “Insurance Hoax” story was published.

As we explained to the Deadline Club in writing on May 7 and by telephone on May 9, we reviewed every allegation of error made by Hartwig and his colleagues. We invited them to the Bloomberg offices in New York and met with them for three hours. We concluded there were no mistakes. Our stories were not corrected, retracted or amended.

During the May 9 conference call between the Deadline Club and Bloomberg journalists, it became even clearer that the Club was working from a script that had been written by the insurance industry. Rachel Nielsen, who is first vice president of the Club, said on the call that as part of her “research” into the reporting in “Insurance Hoax,” she had spoken with a man she called an “insurance expert.”

That man is Mike Fernandez, vice president of public affairs at State Farm. Fernandez is not an impendent expert. He is an industry partisan who, like Sam Friedman, has pilloried “Insurance Hoax” on the Internet. Fernandez was a member of the insurance industry delegation that visited Bloomberg after the first “Insurance Hoax” story was published. We reviewed all Fernandez’s allegations and found no cause to correct our story.

It is curious that a journalism organization of the Deadline Club’s standing would mistake a public relations executive for an independent expert.

We don't know which other insurance industry officials the Deadline Club may have consulted, because the review process was not transparent. Bloomberg's accusers were not identified.

During the conference call, Deadline Club officials said they accepted that Bloomberg had not made factual errors. However, that was not the end of the conversation. Two Club officials said they would have edited parts of "Insurance Hoax" differently. The conference call was not supposed to have been a referendum on Bloomberg's editing.

Over the years, this year included, Bloomberg News has been honored to receive awards from the Deadline Club, which we have had every reason to view as an organization run by professionals. We don't know why "Insurance Hoax" failed to win any of the four awards for which it was a finalist. We do know the process by which the stories were judged was irregular, opaque and unethical. We especially question the Club's pre-emptive guilty verdict rendered in an unsigned memo that parroted the insurance industry's positions.

We urge you to take this opportunity to establish judging procedures that are clear and fair and based on journalistic principles. Judges in journalism contests shouldn't be susceptible to interference from executives, lobbyists and trade publication columnists who happen to be unhappy with the true things that were written about the industry they represent.

Sincerely,

Matthew Winkler
Editor-in-Chief
Bloomberg News