

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL FAIR HOUSING
ALLIANCE, INC.
1212 New York Avenue, N.W., Suite 525
Washington, DC 20005;

HOUSING OPPORTUNITIES MADE
EQUAL OF RICHMOND, INC.
2201 West Broad Street, Suite 200
Richmond, VA 23220;

FAIR HOUSING COUNCIL OF
SUBURBAN PHILADELPHIA
225 South Chester Road, Suite 1
Swarthmore, PA 19081;

TOLEDO FAIR HOUSING CENTER
1000 Monroe Avenue
Toledo, OH 43624;

METROPOLITAN MILWAUKEE
FAIR HOUSING COUNCIL, INC.
600 East Mason, Suite 200
Milwaukee, WI 53202;

DR. MONICA HOLIDAY-GOODMAN
1025 Secor Road
Toledo, OH 43607;

JUSTINA ALSUP
4133 Hazelridge Drive
Las Vegas, NV 89129;

ROBERT SCALES
544 East Park Street
Toledo OH, 43608,

Plaintiffs,

v.

CASE NUMBER 1:01CV02199

JUDGE: Emmet G. Sullivan

DECK TYPE: Civil Rights (non-employment)

DATE STAMP: 10/23/2001

COMPLAINT FOR
DECLARATORY,
INJUNCTIVE,
AND MONETARY RELIEF

THE PRUDENTIAL INSURANCE)
COMPANY OF AMERICA)
751 Broad Street)
Newark, NJ 07102 and)
)
PRUDENTIAL PROPERTY &)
CASUALTY INSURANCE COMPANY)
23 Main Street)
Holmdel, NJ 07733,)
)
Defendants.)
_____)

I. SUMMARY OF THE ACTION

1. Plaintiffs bring this action for declaratory, injunctive, and monetary relief against Defendants Prudential Insurance Company of America and Prudential Property & Casualty Insurance Company (collectively referred to as “Prudential”). Prudential has discriminated, and continues to discriminate, on the basis of race and color, in the provision, terms, and conditions of its homeowners insurance products.

A. Prudential’s Discriminatory Underwriting Guidelines

2. Throughout the country, and for many years, Prudential has engaged, and continues to engage, in unlawful discriminatory insurance “redlining” with respect to homeowners insurance. Prudential has imposed certain minimum underwriting requirements in order for a homeowner to obtain certain coverages, such as to obtain “replacement cost” coverage for a home – coverage whereby Prudential insures up to a calculated replacement cost of the home, not just the lower market value of the home.

3. As described below in detail, such Prudential underwriting requirements have limited and continue to limit insurance coverage to certain homes. The Prudential requirements are discriminatory and illegal because they have had, and continue to have, a disparate impact on past, present, and prospective African-American and Hispanic homeowners, and on past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods across the country. These Prudential requirements are not justified or supported by business necessity or actuarial data, and there are less restrictive alternatives available to Prudential to meet legitimate business objectives.

4. Prudential has utilized various and changing discriminatory underwriting guidelines. For example, Prudential has established and maintained minimum underwriting requirements in order to obtain replacement cost coverage, relating to (a) the age of the home, (b) the market value of the home, and/or (c) the difference between the home's replacement cost and market value (or "replacement cost-to-value" ratio). These three types of Prudential underwriting requirements have had, and continue to have, a disparate impact, and therefore are unlawful (i.e., they constitute discriminatory insurance "redlining").

5. Prudential has excluded the District of Columbia entirely from its sale of homeowners insurance products. In 1994, Prudential ceased to sell homeowners insurance policies in the District of Columbia, and has continued to refuse to re-enter the market in the District of Columbia, while always continuing to sell policies in the immediately surrounding Maryland and Virginia counties. Prudential's withdrawal from the District, and its ongoing decision to remain out of the District, has had, and continues to have, a disparate impact on past, present, and prospective African-American and

Hispanic homeowners, and on past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods in the District of Columbia.

6. Prudential also has used rating territories that are segregated into zones that reflect racial compositions of neighborhoods. These Prudential requirements have had, and continue to have, a disparate impact, and are therefore unlawful.

7. Prudential also has utilized credit scores or credit rating of applicants to determine eligibility for homeowners insurance coverage, which has a discriminatory effect and no business justification. Credit scores and credit ratings are irrelevant to the determination of whether a current or prospective homeowner should qualify for coverage because insurance premiums are paid in advance, and a failure to pay a premium results in a lapse of coverage. Moreover, there are no actuarial studies establishing credit as a predictor of claims and losses on homeowners insurance policies. These Prudential requirements have had, and continue to have, a disparate impact, and are therefore unlawful.

B. Prudential's Disparate Treatment and Intentional Discrimination

8. Prudential has engaged in unlawful disparate treatment and intentional discrimination on the basis of race. First, Prudential has long had knowledge, and continues to have knowledge, that its underwriting guidelines and practices have a disparate impact, on past, present, and prospective African-American and Hispanic homeowners, and on past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods across the country. Despite such knowledge, Prudential deliberately has chosen not to remedy their conduct that results in such

disparate impact. As a result, Prudential has engaged in intentional discrimination on the basis of race by continuing to utilize underwriting guidelines.

9. Second, in addition to the disparate impact of these underwriting requirements, Prudential has not applied these rules consistently to existing or potential homeowners in African-American and Hispanic neighborhoods. For applicants from such neighborhoods, Prudential agents cite various and changing requirements, relating to age or value, in an effort to avoid issuing the requested insurance. Prudential's inconsistent and discriminatory application of its underwriting rules constitutes illegal disparate treatment on the basis of race.

10. Third, Prudential also has chosen to place none or relatively few agent offices in predominantly African-American and Hispanic neighborhoods, as compared with other neighborhoods.

11. Fourth, Prudential also has utilized sales techniques and practices that discourage existing or potential homeowners in African-American and Hispanic neighborhoods from purchasing homeowners insurance, such as poor agent responsiveness, not providing price quotes over the telephone, not providing quotes by mail, and referring African-American and Hispanic applicants to less favorable state insurance plans.

12. Finally, Prudential deliberately has failed to train adequately and instruct its agents in anti-discrimination and equal opportunity laws, and in the benefits of assisting African-American and Hispanic customers in African-American and Hispanic neighborhoods.

C. Damages Caused By Prudential

13. Prudential's various and ongoing actions, which result in disparate impact and disparate treatment, have caused substantial injury to the Plaintiffs and to African-American and Hispanic neighborhoods throughout the United States.

14. First, Prudential's policies and practices have contributed to a lack of adequate insurance and a resulting destabilization of African-American and Hispanic neighborhoods throughout the United States, including but not limited to such areas in or around Washington, D.C., Richmond, Philadelphia, Toledo, and Milwaukee. Inadequate insurance coverage for homeowners in predominantly African-American and Hispanic neighborhoods has long contributed to the decline and poor condition of such neighborhoods, and perpetuated residential racial segregation throughout the country. Prudential's policies and practices have been and remain inextricably intertwined with the underdevelopment of and underinvestment in African-American and Hispanic neighborhoods.

15. Second, as detailed below, as a result of Prudential's racially discriminatory insurance practices and policies, the Fair Housing Organization Plaintiffs (defined below) have each suffered a diversion of their scarce resources and frustration of their missions to achieve fair housing, without discrimination, throughout the United States, and more specifically, in and around Washington, D.C., Richmond, Philadelphia, Toledo, and Milwaukee.

16. Third, also as detailed below, plaintiffs Dr. Holiday-Goodman, Ms. Alsup, and Mr. Scales (the "Individual Plaintiffs") have each been injured by Prudential's racially discriminatory insurance practices and policies, including as a result of intentional discrimination by Prudential on the basis of race or color.

II. JURISDICTION AND VENUE

17. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 and § 1343, this action being brought under the Fair Housing Act, 42 U.S.C. § 3601 *et seq.* and 42 U.S.C. § 1981. This Court has jurisdiction to issue a declaration that the Plaintiffs' rights have been violated pursuant to 28 U.S.C. §§ 2201 and 2202, and to grant injunctive relief and actual and punitive damages, as well as attorneys' fees and costs, pursuant to 42 U.S.C. § 3613.

18. Venue is proper in this forum pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events giving rise to this action occurred in the District of Columbia. Prudential also "resides" in the District of Columbia under § 1391(c) because it is subject to personal jurisdiction here.

III. PARTIES

19. Plaintiff National Fair Housing Alliance, Inc. ("NFHA") is a national non-profit public service organization incorporated under the laws of the Commonwealth of Virginia, with its principal place of business at 1212 New York Avenue, N.W., Suite 525, Washington, D.C. 20005. NFHA is a nationwide alliance of private, non-profit fair housing groups. NFHA's members include, among others, the fair housing organizations that are named plaintiffs in this action. NFHA and its members represent the interests of home seekers, homeowners, and other parties in need of assistance to enforce their rights to equal housing. NFHA and its member organizations work to promote fair housing in their respective geographic areas across the United States. NFHA also serves persons affected by discriminatory housing practices across the United States and particularly in the Washington, D.C. metropolitan area.

20. Plaintiff Housing Opportunities Made Equal of Richmond, Inc. ("HOME") is a non-profit public service organization incorporated under the laws of the

Commonwealth of Virginia with its principal place of business at 2201 West Broad Street, Suite 200, Richmond, Virginia 23220. HOME represents the interests of home seekers, homeowners, and other parties in need of assistance to enforce their rights to equal housing. HOME serves persons affected by discriminatory housing practices in the Greater Richmond Metropolitan Area.

21. Plaintiff Fair Housing Council of Suburban Philadelphia (“FHCSF”) is a non-profit public service organization incorporated under the laws of the State of Pennsylvania, with its principal place of business at 225 South Chester Road, Suite 1, Swarthmore, Pennsylvania 19081. FHCSF represents the interests of home seekers, homeowners, and other parties in need of assistance to enforce their rights to equal housing. FHCSF primarily serves persons affected by discriminatory housing practices in the Greater Philadelphia metropolitan area.

22. Plaintiff Toledo Fair Housing Center (“TFHC”) is a non-profit public service organization operated by Fair Housing Opportunities of Northwest Ohio, Inc., a non-profit organization incorporated under the laws of the State of Ohio, with their principal place of business at 1000 Monroe Avenue, Toledo, Ohio 43624. TFHC represents the interests of home seekers, homeowners, and other parties in need of assistance to enforce their rights to equal housing. TFHC primarily serves persons affected by discriminatory housing practices in the Greater Toledo metropolitan area.

23. Plaintiff Metropolitan Milwaukee Fair Housing Council, Inc. (“MMFHC”) is a non-profit public service organization incorporated under the laws of the State of Wisconsin with its principal place of business at 600 East Mason Street, Suite 200, Milwaukee, Wisconsin 53202. MMFHC represents the interests of home seekers, homeowners, and other parties in need of assistance to enforce their rights to equal

housing. MMFHC primarily serves persons affected by discriminatory housing practices in the Greater Milwaukee metropolitan area.

24. NFHA, HOME, FHSCP, TFHC, and MMFHC, are collectively referred to in this Complaint as the “Fair Housing Organization Plaintiffs.”

25. Plaintiff Dr. Monica Holiday-Goodman is an African-American citizen of the United States. At all times relevant to this Complaint, Dr. Holiday-Goodman owned and resided in her home at 1025 Secor Road, Toledo Ohio 43607, which was or is in a predominantly African-American neighborhood.

26. Plaintiff Justina Alsup is an African-American citizen of the United States. At all times relevant to this Complaint, Ms. Alsup owned and resided in her home at 1013 Pinewood Avenue, Toledo Ohio 43607, which was or is in a predominantly African-American neighborhood. Ms. Alsup still owns the home, but now resides in Las Vegas, Nevada.

27. Plaintiff Robert Scales is an African-American citizen of the United States. At all times relevant to this Complaint, Mr. Scales owned and resided in his home at 544 East Park Street, Toledo Ohio 43608, which was or is in a predominantly African-American neighborhood.

28. Defendant Prudential Insurance Company is a for-profit corporation incorporated in the State of New Jersey, with its principal place of business at Prudential Plaza, 751 Broad Street, Newark, New Jersey 07102. Prudential, directly or through its subsidiaries, affiliates, and agents, sells homeowners insurance throughout the United States. Prudential regularly conducted business in Washington, D.C. until 1994, when Prudential stopped selling homeowners insurance to Washington, D.C. residents.

29. Defendant Prudential Property & Casualty Company (“PRUPAC”) is a for-profit corporation incorporated in the State of Indiana, with its principal place of business at 23 Main Street, Holmdel, New Jersey 07733. PRUPAC, directly or through its subsidiaries, affiliates, and agents, sells homeowners insurance throughout the United States. PRUPAC regularly conducted business in Washington, D.C. until 1994, when PRUPAC withdrew its insurance coverage entirely from the District.

IV. FACTUAL ALLEGATIONS

A. Homeowners Insurance Generally

30. Homeowners insurance generally protects homeowners from losses due to damage to the physical structure of the home, such as from fire or storms. Homeowners insurance also frequently protects the contents of the home and the homeowner from liability arising from any injury that occurs on the property.

31. With respect to damage to the physical structure of the house, homeowners insurance is generally available up to certain limits, based upon either the “market value” of the house, or the cost to replace the house. The replacement cost for a house is not necessarily equal to its market value – it may be higher or lower. A “market value” policy will only insure up to the home’s market value, even if the cost to rebuild it is more. “Replacement cost” coverage, in contrast, provides the policyholder with the peace of mind that in the event the house is destroyed, there will be coverage for the actual cost of rebuilding the house (typically using like materials), notwithstanding the fact that the market value of the house may be less than the cost of actually rebuilding the house. The replacement cost is estimated by the insurer, with this estimate becoming the limit on coverage. “Guaranteed replacement cost” coverage provides broader replacement coverage, typically replacing the home using “substantially similar”

materials, with no limit or at a limit over the stated limits (*e.g.*, 25% over the calculated replacement cost).

32. In most areas of the country, including the areas served by the Fair Housing Organization Plaintiffs, homeowners are typically required to have homeowners insurance coverage in order to qualify for a mortgage or home equity loan, and must maintain insurance coverage for the life of the loan. Adequate and cost-effective homeowners insurance is necessary to home ownership.

33. Actual or potential homeowners' decisions with respect to dwellings are influenced by the terms and conditions of homeowners insurance, including whether replacement cost coverage is available and on what terms. Such decisions are influenced for a variety of reasons, including requirements by lenders and others with respect to obtaining homeowners insurance. Persons buying a home can be influenced in their decision by what kind of insurance is available.

B. Prudential Homeowners Insurance Products

34. Prudential writes homeowners insurance in most of the states in the United States. Prudential does not write homeowners insurance in the District of Columbia.

35. Prudential offers various types of homeowners insurance policies, varying in degree and scope of coverage. Prudential offers some customers "replacement cost" and "guaranteed replacement cost" coverage. Many homeowners prefer replacement cost or guaranteed replacement cost coverage because the cost to replace a home that is destroyed or severely damaged may be greater than the home's market value. This is especially true in urban areas with older homes, which have replacement costs typically in excess of their market values. Without replacement cost or guaranteed replacement

cost coverage, the homeowner will have to pay the difference between the market value and the actual cost to rebuild, which can be tens of thousands of dollars.

36. Prudential also offers “market value” policies that insure a house up to its current market value. This type of coverage, in many instances, is not as desirable as replacement or guaranteed replacement cost coverage because the cost to replace a house typically exceeds the market value of the house, and the “market value” policyholder will only recover the market value of the house if it is destroyed.

37. In addition to structural coverage, some Prudential insurance policies include coverage for replacement of the contents of the house. Some Prudential insurance policies include coverage for liability arising from personal injury to residents or visitors. Prudential also offers discounts to some policyholders based on whether the house has alarms, smoke detectors, deadbolt locks, or other safety devices.

C. Background on Demographics of Neighborhoods

38. The residential housing patterns in many of the communities where Prudential does business, including the Washington, D.C., Richmond, Philadelphia, Toledo, and Milwaukee metropolitan areas, have been and remain racially segregated. Racially identifiable neighborhoods exist in those communities that are predominantly African-American or Hispanic¹ in composition.

¹ For the purposes of this Complaint, the term “African-American and Hispanic neighborhood” includes any census tract as defined by the U.S. Census Bureau in which African-Americans and Hispanics comprise more than 50% of the total population reported in that tract. The term “minority neighborhood” includes any census tract as defined by the U.S. Census Bureau in 1990 in which the total Hispanic and racial minority population comprises more than 50% of the total population of that tract. The term “majority white neighborhood” or “majority white census tract” is a U.S. Census Bureau tract in which non-Hispanic whites constitute more than 50% of the total population reported in that tract.

39. Residential housing patterns in the Greater Washington, D.C. metropolitan area² have been and remain segregated on the basis of race and/or national origin. African-Americans and Hispanics constitute about 36% of the total population of the Greater Washington, D.C. area, while they constitute approximately 71% of the total population of Washington, D.C. itself. Similarly, minorities in the Greater Washington, D.C. metropolitan area constitute 42% of the total population, while comprising approximately 73% of the population of Washington, D.C. itself. Within the District of Columbia, approximately 92% of African-American and Hispanic residents, and also 92% of minority residents, respectively, reside in minority census tracts, while approximately 77% of white residents reside in majority white census tracts. Within Prince George's county (bordering D.C. to the east), approximately 79% of African-American and Hispanic residents (and approximately 81% of all minority residents) live in minority census tracts, while approximately 68% of the white residents reside in majority white census tracts.³

40. Residential housing patterns in the Greater Richmond metropolitan area⁴ are also segregated on the basis of race and/or national origin. African-Americans and Hispanics constitute approximately 28% of the total population of the Greater Richmond

² For purposes of this Complaint, the Greater Washington, D.C. statistical area includes the District of Columbia; Prince George's and Montgomery counties in Maryland; Fairfax and Arlington counties in Virginia; and the independent cities of Falls Church, Fairfax, and Alexandria in Virginia.

³ Unless indicated otherwise, statistical numbers in this and the subsequent paragraphs are based upon 1990 Census Data, reflecting the relevant demographics in the 1990s during which Prudential's underwriting rules had a discriminatory and injurious disparate impact, as alleged herein. Upon information and belief, the statistical results from the 2000 Census, not all yet available, do not or will not significantly change these statistical percentages, or the fact that Prudential's underwriting rules have had, and/or continue to have, a discriminatory and injurious disparate impact.

⁴ The Greater Richmond statistical area consists of the independent city of Richmond, and also Chesterfield, Henrico, and Hanover counties in Virginia.

area (all minorities constitute approximately 30% of the total Greater Richmond population). In the Greater Richmond area, approximately 58% of African-American Hispanic residents, and also 58% of minority residents, respectively, reside in minority census tracts, while approximately 94% of white residents reside in majority white census tracts.

41. Residential housing patterns in the Greater Philadelphia metropolitan area⁵ are also segregated on the basis of race and/or national origin. African-Americans and Hispanics constitute approximately 22% of the total population of the Greater Philadelphia area (all minorities constitute approximately 25% of the total Greater Philadelphia population). In the Greater Philadelphia area, approximately 71% of African-American Hispanic residents, and 67% of minority residents, respectively, reside in minority census tracts, while approximately 97% of white residents reside in majority white census tracts

42. Residential housing patterns in the Greater Toledo metropolitan area⁶ are also segregated on the basis of race and/or national origin. African-Americans and Hispanics constitute approximately 15% of the total population of the Greater Toledo area (all minorities constitute approximately 16% of the total Greater Toledo population). In the Greater Toledo area, approximately 46% of African-American Hispanic residents, and 47% of minority residents, respectively, reside in minority census tracts, while approximately 98% of white residents reside in majority white census tracts.

⁵ The Greater Philadelphia statistical area consists of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania, and also Burlington, Camden, and Gloucester counties in New Jersey.

⁶ The Greater Toledo statistical area consists of Lucas, Fulton, and Wood counties in Ohio.

43. Residential housing patterns in the Greater Milwaukee metropolitan area⁷ are also segregated on the basis of race and/or national origin. African-Americans and Hispanics constitute approximately 17% of the total population of the Greater Milwaukee area (all minorities constitute approximately 19% of the total Greater Milwaukee population). In the Greater Milwaukee area, approximately 68% of African-American Hispanic residents, and also 68% of minority residents, respectively, reside in minority census tracts, while approximately 96% of white residents reside in majority white census tracts.

D. Prudential's Discriminatory Underwriting Practices

44. For many years, Prudential has established and maintained various underwriting rules and policies that have adversely affected, on the basis of race, the availability, terms, conditions, and price of homeowners insurance. These various and changing Prudential underwriting rules have discriminated, and/or continue to discriminate, against past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods. They include, but are not necessarily limited to, the following Prudential underwriting guidelines and rules.

45. *First*, Prudential has established and maintained various underwriting guidelines that deny or limit certain homeowners insurance coverage based on the age of the home. Under such guidelines, houses built before a certain year are excluded from coverage or are eligible for only limited types of coverage. For example, Prudential has established and maintained guidelines that limit replacement cost or guaranteed replacement cost coverage to homes built after 1960, or for homes "less than 45 years

⁷ The Greater Milwaukee statistical area consists of Washington, Ozaukee, Waukesha, and Milwaukee counties in Ohio.

old.” In some areas of the country, Prudential has required that homeowners seeking insurance for houses over a certain age be referred to an underwriter for further consideration, or provide detailed paperwork.

46. These age-related guidelines were widely employed by Prudential throughout the 1990s, and upon information and belief, Prudential still employs age-related underwriting criteria regarding certain coverages. Such age-related guidelines have had, and/or continue to have, an adverse discriminatory effect on past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods. Prudential’s age-related criteria have a disparate impact on African-American and Hispanic neighborhoods because a significantly greater percentage of houses in such neighborhoods, compared to houses in majority white neighborhoods, are excluded from coverage based on these age criteria, and/or are adversely affected by these criteria (*i.e.*, houses in predominantly African-American and Hispanic neighborhoods tend to be older). Thus, for example:

- In the Greater Richmond area, a policy of not issuing coverage for homes built before 1960 excludes approximately 67% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 30% of homes in predominantly white neighborhoods from coverage.
- In the Greater Philadelphia area, this policy excludes approximately 89% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 58% of homes in predominantly white neighborhoods from coverage.
- In the Greater Toledo metropolitan area, this policy excludes approximately 86% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 59% of homes in predominantly white neighborhoods from coverage.

- In the Greater Milwaukee area, this policy excludes approximately 95% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 58% of homes in predominantly white neighborhoods from coverage.

47. *Second*, Prudential has established and maintained underwriting guidelines that deny or limit homeowners insurance coverage based on the home's market value. Under such guidelines, houses priced below a certain market value are excluded from certain coverage, such as replacement cost coverages, or are eligible for only limited types of coverage, such as a limited "market value program." For example, in certain states, Prudential has established and maintained guidelines that limit guaranteed replacement cost coverage to homes with a market value of at least \$75,000. Market value minimum amounts may vary by city. Prudential may also employ minimum value requirements for replacement cost as a precondition to insurance.

48. These value-related guidelines were widely employed by Prudential throughout the 1990s, and upon information and belief, Prudential still employs value-related underwriting criteria. Such value-related guidelines have had, and/or continue to have, an adverse discriminatory effect on past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods. Thus, for example:

- In the Greater Richmond area, a policy of not issuing coverage for homes within a market value of less than \$75,000 excludes approximately 89% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 33% of homes in predominantly white neighborhoods from coverage.
- In the Greater Philadelphia area, this policy excludes approximately 86% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 22% of homes in predominantly white neighborhoods from coverage.
- In the Greater Toledo metropolitan area, this policy excludes approximately 96% of homes in predominantly African-American

and Hispanic neighborhoods from coverage, but excludes only 65% of homes in predominantly white neighborhoods from coverage.

- In the Greater Milwaukee area, this policy excludes approximately 98% of homes in predominantly African-American and Hispanic neighborhoods from coverage, but excludes only 45% of homes in predominantly white neighborhoods from coverage.

49. *Third*, Prudential has established and maintained underwriting guidelines that deny or limit homeowners insurance coverage based on the difference between the replacement cost and the market value of a house, sometimes known as the “replacement cost-to-value” ratio. Prudential agents have cited such replacement cost-to-value ratios as an underwriting rule to exclude applicants from homeowners insurance, or certain types of insurance, such as replacement cost coverage. For example, applicants have been told that Prudential will not insure a home, or offer replacement cost coverage, if its market value is less than 75% of its replacement value, or 50% of its replacement value. Replacement cost-to-value requirements may vary by city. Prudential may also use a sliding scale of replacement cost-to-value ratios, whereby the lower the percentage of market value to replacement cost, the higher a multiplier that increases the premium, thus discriminating in premium, on a sliding scale, between lower and higher ratios.

50. These “replacement cost-to-value” related guidelines were widely employed by Prudential throughout the 1990s, and upon information and belief, Prudential still employs replacement-cost-to-value related underwriting criteria. Such underwriting criteria tend to exclude coverage for homes in predominantly African-American and Hispanic neighborhoods, as compared to predominantly white neighborhoods. Prudential’s replacement cost-to-value rules have had, and continue to have, an adverse discriminatory effect on past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods.

51. *Fourth*, Prudential has redlined the District of Columbia entirely out of its sale of homeowners insurance. In 1994, Prudential ceased to sell homeowners insurance policies in the District of Columbia, but has continued to sell its policies in the surrounding suburbs and has continued to sell commercial insurance. Moreover, Prudential's decisions to depart from and to stay out of the District have had a disparate impact on homeowners in Washington, D.C.

52. *Fifth*, Prudential has used rating territories that are segregated into zones that reflect the racial compositions of neighborhoods. Rating territories that encompass homes in African-American and Hispanic neighborhoods are priced at higher premiums than territories that encompass white neighborhoods. Prudential has drawn its rating territories by utilizing underwriting criteria that has an adverse discriminatory effect on past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods.

53. *Sixth*, Prudential has selectively utilized credit scores or credit rating of applicants to determine eligibility for homeowners' insurance coverage. In some cases, Prudential may require applicants to provide a social security number or date of birth before receiving a quote. In some cases, Prudential has used vague underwriting rules, such as a rule that there be "no serious credit problems." Upon information and belief, in some cases, Prudential utilizes the applicant's credit rating and/or FICO scores, a credit score calculated by Fair, Issac & Co., to determine whether the applicants qualify for coverage.

54. Utilizing credit scores or credit ratings to determine eligibility for homeowners insurance has the effect of discriminating on the basis of race. There is no

business necessity for such a requirement. Credit scores and credit ratings are irrelevant to the determination of whether a current or prospective homeowner should qualify for coverage. Insurance premiums are paid in advance, and a failure to pay a premium results simply in a lapse of coverage. The applicant's ability to pay for coverage is irrelevant. Moreover, there is no sound actuarial data establishing that a person's credit history is a predictor of homeowners insurance claims and losses; in any event, there are less restrictive alternatives available to Prudential to address its business interests. Prudential's credit-related requirements have had, and continue to have, a disparate impact, and are therefore unlawful.

55. Each of the Prudential underwriting rules and practices described above are not required by business necessity or justified by legitimate business considerations. Moreover, each of the Prudential underwriting rules and practices described above were or are not supported by legitimate actuarial data or analysis. Moreover, these underwriting rules are not the least restrictive or least discriminatory method or alternative available to Prudential in order to meet any alleged legitimate business considerations.

56. Prudential continues to maintain, establish, and implement a pattern and practice of utilizing these and other discriminatory underwriting criteria that have had and/or continue to have a disparate impact on African-American and Hispanic homeowners and predominantly minority neighborhoods. While, on information and belief, certain specific Prudential underwriting rules may have changed in recent years, the damage caused by such guidelines has impacted, and continues to impact, African-American and Hispanic homeowners and homeowners in predominantly minority neighborhoods.

E. Prudential's Disparate Treatment and Intentional Discrimination

57. Prudential has engaged in unlawful disparate treatment and intentional discrimination on the basis of race, including because of employment of the above-described underwriting guidelines. *First*, Prudential has long been aware that the guidelines and rules described above have had and/or continue to have a disparate impact on African-American and Hispanic homeowners and homeowners in predominantly African-American and Hispanic neighborhoods across the country, excluding a disproportionate number of houses in such neighborhoods. Prudential also has long been aware that there is no business necessity for such requirements, and that less restrictive or discriminatory alternatives exist. Prudential has deliberately chosen not to take action, based on such knowledge, to remedy such disparate impacts. As a result, Prudential has engaged in intentional discrimination on the basis of race by continuing to utilize underwriting guidelines and practices that have a disparate impact on the basis of race.

58. *Second*, Prudential has not consistently applied its underwriting guidelines and rules to existing or potential homeowners in African-American and Hispanic neighborhoods. For applicants from such neighborhoods, Prudential agents cite various and changing requirements, such relating to age or value, in an effort to avoid issuing the requested insurance. For applicants from predominantly white neighborhoods, Prudential agents sometimes make exceptions to these underwriting criteria that would otherwise preclude provision of a quote or issuance of a policy. Prudential's inconsistent and discriminatory application of its underwriting rules constitutes illegal disparate treatment on the basis of race.

59. *Third*, Prudential has none or relatively few agent offices located in predominantly African-American and Hispanic neighborhoods. Prudential has chosen to

place none or relatively few agent offices in such neighborhoods, as compared with other neighborhoods, resulting in a low market penetration in African-American and Hispanic neighborhoods. In Toledo, Ohio, for example, an applicant for homeowners insurance was referred to a Prudential regional manager because no agent who could write homeowners insurance was assigned to the territory in which the house was located, which was predominantly African-American and Hispanic. The effect of Prudential's decision to not place offices in African-American and Hispanic neighborhoods is to deter African-Americans and Hispanics from seeking homeowners insurance from Prudential.

60. *Fourth*, Prudential has also engaged in disparate treatment, on the basis of race, by utilizing sales techniques and practices that discourage existing or potential homeowners in African-American and Hispanic neighborhoods from purchasing homeowners insurance. For example, there has been less responsiveness by Prudential agents to African-American applicants, as compared to white applicants. In some cases, for African-Americans, Prudential agents provided price quotes only over the telephone, but not by mail, whereas white applicants received written quotes by mail. In several cases, African-Americans were referred to less favorable state insurance plans, e.g., the Ohio Fair Plan. In other cases, Prudential utilizes subjective criteria like "pride of ownership" or judgment about the "condition" of the property in determining whether to offer insurance or on what terms.

61. *Finally*, Prudential has failed to train adequately and instruct its agents in anti-discrimination and equal opportunity laws and requirements, and in the benefits of assisting African-American and Hispanic customers in African-American and Hispanic neighborhoods. Prudential has failed to oversee adequately and supervise the actions and practices of its agents, particularly its actions and practices in dealing with African-

American and Hispanic customers and customers in African-American and Hispanic neighborhoods. Prudential's failure to train its agents has persisted despite the fact that in 1996, the Toledo Fair Housing Center provided training to Prudential underwriters, managers, and trainers of agents. Prudential ignored this training and persisted in its discriminatory conduct.

F. Discrimination Revealed By Testing

62. The Fair Housing Organization Plaintiffs have conducted testing of Prudential's insurance practices, including "matched pair testing," where there is one tester seeking insurance for a home in an African-American or Hispanic neighborhood and one tester seeking insurance for a home in a majority white neighborhood. These testers called Prudential, posing as prospective homeowners seeking to secure insurance for homes that they intended to purchase or already owned. The testing methodology utilized was consistent with generally accepted testing guidelines used throughout the fair housing enforcement and investigation industry.

63. These tests confirm that Prudential has implemented and maintained the discriminatory underwriting guidelines and practices discussed herein. *The testing* further reveals that Prudential has discriminated against past, present, and prospective African-American homeowners, as well as past, present, and prospective homeowners in African-American neighborhoods. Such discrimination includes, for example: refusing to provide insurance quotes in African-American neighborhoods and to African-American applicants; failing to return calls to applicants in African-American neighborhoods; failing to provide price quotes to applicants in African-American neighborhoods; referring callers from African-American neighborhoods to less desirable state insurance plans or less reputable insurance companies; quoting higher premiums for

inferior policies in African-American neighborhoods; and insisting that African-Americans, but not whites, provide social security numbers.

64. The following examples are illustrative of Prudential's discrimination against persons from minority neighborhoods:

- (a) In the Washington, D.C. metropolitan area, a white tester residing in a predominantly white Maryland neighborhood was offered substantially more favorable quotes than an African-American tester residing in a predominantly African-American Maryland neighborhood, despite the fact that the African-American tester's home was both newer and less expensive than the white tester's home.
- (b) In Richmond, Virginia, a white tester received a written quote that included guaranteed replacement cost coverage for the dwelling, replacement costs for contents, a protective device credit, and \$300,000 in liability coverage. In contrast, an African-American tester received a quote for a market value policy for the dwelling, depreciated value on the contents, no protective device credit, and only \$100,000 in liability coverage. Neither tester was asked whether the homes had protective devices. The African-American tester had specifically requested replacement cost coverage.
- (c) In Chester, Pennsylvania, a white tester received four written quote options simply by calling a Prudential office and requesting a quote for homeowners insurance. When an African-American tester called, the tester was told that, in order to receive a quote, the tester must supply a social security number for a credit check, and a birth date so the agent could check for the tester's insurance history for the last three years. Although the agent ultimately provided an oral quote without such information, the agent still refused to provide a written quote unless the tester went to the office in person.
- (d) In Toledo, Ohio, an African-American person seeking a quote for homeowners insurance for a home located in a predominantly African-American neighborhood was told by a Prudential agent that Prudential did not write homeowners insurance policies for first-time home purchasers. A white tester, as a first time home purchaser seeking a quote for insurance on a home in a majority white neighborhood, was provided a quote for homeowners insurance by Prudential. Prudential steered African-American testers with homes in African-American neighborhoods to the less

desirable Ohio Fair Plan. Prudential agents stated to African-American applicants for homes in African-American neighborhoods that replacement cost coverage could not be issued because someone would “torch” or “burn down” the house and collect money.

- (e) In Milwaukee, Wisconsin, a white tester seeking coverage for a home more than thirty years old that was located in a majority white neighborhood was provided a quote by Prudential for replacement cost insurance. Testers seeking coverage for homes more than thirty years old that were located in a predominantly African-American neighborhood were not offered a quote. One African-American tester calling for insurance on a home in a predominantly African-American neighborhood was told that replacement cost coverage was not available to her because the replacement cost was more than the market value of the home. Another African-American tester was asked if the home in the African-American neighborhood is “near a liquor store that’s getting robbed every other day.”

G. Prudential’s Control Of And Responsibility For Its Agents

65. Upon information and belief, most of Prudential’s agents are “exclusive” agents employed by Prudential, meaning these agents only sell insurance for Prudential. Prudential primarily utilizes the employee agent sales force of its parent life insurance company, the Prudential Insurance Company of America, in the sale of its personal lines property and casualty products throughout the country. Prudential also utilizes “independent agents,” who sell insurance for Prudential and other insurance companies.

66. Prudential directs and controls the activities of its agents with respect to these agents’ sales of insurance. Prudential consistently holds these agents out to the public as agents and representatives of Prudential. In many situations, when customers call the local offices of Prudential, they are automatically and routinely referred to one or more of these agents as the source for purchasing homeowners insurance coverage.

67. When selling or attempting to sell Prudential’s homeowners insurance, these agents are required by Prudential to apply and utilize Prudential’s underwriting

guidelines and other policies to determine an applicant's eligibility for coverage, the amount of the premium to be charged, the types of coverage to offer, and other such decisions. In situations where the underwriting guidelines do not clearly provide an answer to a question, or the agent is otherwise unsure that a particular policy can or should be written by Prudential, the agent often will refer the matter directly to Prudential underwriters for a decision.

68. At all times relevant to the events described herein, all employees and agents of Prudential involved in the incidents alleged by the Plaintiffs acted within the scope of their employment as employees, agents and/or representatives of Prudential. All such employees and agents carried out the discriminatory practices described herein (a) at the direction of, and with the consent, encouragement, knowledge, and ratification of, Prudential, and/or (b) under Prudential's authority, control and supervision; and/or (c) with apparent authority of Prudential.

H. Injury Caused By Prudential's Discriminatory Policies and Practices

1. Injury to African-American and Hispanic Neighborhoods

69. Prudential's various and ongoing acts of disparate impact and disparate treatment have caused substantial injury to the Plaintiffs and to African-American and Hispanic neighborhoods throughout the United States.

70. First, Prudential's policies and practices have contributed to a lack of adequate insurance and a resulting destabilization of African-American and Hispanic neighborhoods throughout the United States, including but not limited to such areas in or around Washington, D.C., Richmond, Philadelphia, Toledo, and Milwaukee. Inadequate insurance coverage for African-Americans and Hispanics and for homeowners in African-American and Hispanic neighborhoods has long contributed to the decline and

poor condition of predominantly African-American and Hispanic neighborhoods, and perpetuated residential racial segregation throughout the country. Prudential's policies and practices have been and remain inextricably intertwined with the underdevelopment of and under-investment in African-American and Hispanic neighborhoods.

71. These economic and social damages to many urban areas in the United States, contributed to by Prudential's practices, are substantial, and can be valued in the millions of dollars. Across the country, African-American and Hispanic homeowners and existing or potential homeowners in African-American and Hispanic neighborhoods have been unfairly denied homeowners insurance, have paid unjustifiably high rates for insurance, have not been able to obtain adequate insurance coverage, or have been forced to opt for substandard insurance, such as that obtained from state insurance plans. Prudential should immediately and permanently eliminate any and all such discriminatory insurance rules and practices, as outlined below.

2. Prudential's Injury To Fair Housing Organization Plaintiffs

72. The Fair Housing Organization Plaintiffs each have engaged and continue to engage in the following activities and services, among others:

- (a) informing the public about residential opportunities within their geographical regions and assisting the public in gaining access to such opportunities, through a variety of programs;
- (b) expanding equal housing opportunities;
- (c) furthering the Congressional purpose of eliminating segregated housing patterns in their communities and throughout the United States;
- (d) providing counseling and referral services to the public with respect to housing discrimination matters;

- (e) educating the public about housing discrimination laws, discriminatory housing practices, and the availability of legal remedies for such discriminatory practices;
- (f) educating the housing industry about housing discrimination, and working with industry organizations on voluntary compliance programs;
- (g) assisting local governments in overcoming the effects of housing discrimination, including redlining, and meeting their fair housing obligations;
- (h) serving on task forces and committees commissioned to eliminate redlining in mortgage lending and the insurance industry;
- (i) serving on committees that assist with the formulation and drafting of legislation, statutes and ordinances;
- (j) serving on various governmental boards designed to ensure compliance by licensees with real estate and fair housing laws and regulations;
- (k) promoting racial and ethnic integration and furthering compliance with fair housing laws;
- (l) working with community groups to stabilize neighborhoods, through grant and loan programs, counseling, and education;
- (m) working with non-profit groups serving homeowners/homebuyers in new construction, general service groups referring potential buyers, housing counseling agencies, and groups who rehabilitate and resell housing; and
- (n) administering financial assistance programs to help stabilize and/or improve housing conditions.

73. As a result of Prudential's discriminatory policies and practices, as alleged above, the Fair Housing Organization Plaintiffs each have been damaged by having to divert scarce resources to identify and counteract such discriminatory policies and practices – resources that instead could have been used to provide the activities and services identified the paragraph above.

74. To offset the effect of Prudential's unlawful practices and actions, each of the Fair Housing Organization Plaintiffs has been required to devote time, resources, and money toward efforts to educate, not only past, present, and prospective homeowners, but also the insurance industry and the public, that discrimination in residential property insurance is illegal. The Fair Housing Plaintiffs also have diverted resources to raise awareness about the types of homeowners policies that have a discriminatory impact on African-Americans and Hispanics and African-Americans and Hispanic neighborhoods.

75. As a result of Prudential's discriminatory policies and practices, the Fair Housing Organization Plaintiffs each have been substantially injured and frustrated in their missions to eradicate discrimination in housing and home ownership, and in their efforts to carry out the programs and services that they provide, including encouraging integrated living patterns, educating the public about fair housing rights and requirements, educating and working with industry groups on fair housing compliance, providing counseling services to persons either looking for housing or affected by discriminatory housing practices, and eliminating discriminatory housing practices.

76. In addition, each of the Fair Housing Organization Plaintiffs, along with the members and constituents whose interests they represent, have suffered from Prudential's lack of equally available, competitively priced, and high-quality homeowners insurance. Each has also suffered from the resulting decline in home ownership by the residents of predominantly African-American and Hispanic neighborhoods and the home values in those predominantly African-American and Hispanic neighborhoods.

77. In September, 1997, the Fair Housing Organization Plaintiffs (with the exception of FHCSP) filed a Housing Discrimination Complaint against Prudential with

the U.S. Department of Housing and Urban Development (“HUD”), alleging that Prudential discriminates against African-American and Hispanic homeowners and prospective homeowners through, *inter alia*, the underwriting policies and practices described herein. This HUD complaint (which is pending) alleges that Prudential’s discriminatory acts constitute a continuing violation of the Fair Housing Act. Efforts to mediate the HUD Complaint have not been successful. FHSCP filed a similar HUD action against Prudential in October 2001.

3. Injury To Individual Plaintiffs

78. Plaintiff Dr. Monica Holiday-Goodman owns a home in a predominantly African-American neighborhood in Toledo, Ohio. In April 1997, she applied for homeowners insurance coverage with Prudential. At the time, the house, built in 1922, had a market value policy of \$74,000. Prudential initially told Dr. Holiday-Goodman that no agent was assigned to her address. Later, Dr. Holiday-Goodman was able to speak with a sales manager, then a representative. When she provided information about her house, she was told that the replacement value was \$158,854 and that “if the market value is less than 50% of the replacement cost,” then a person cannot get either a market value policy or a replacement value policy, and that she would “have to go with the Ohio Fair Plan.” The Prudential agent stated to her that “if you have a home [where] the replacement cost is \$150,000 and the market value is \$74,000 . . . [then] [p]eople could be buying and torching homes all day and make money on it.” Dr. Holiday-Goodman asked that Prudential at least mail her a quote for a market value policy of \$74,000, which was never done. On February 6, 1998, Dr. Goodman filed a complaint with the Department of Housing & Urban Development (“HUD”), which is still pending.

79. Plaintiff Justina Alsup owns a home in a predominantly African-American neighborhood in Toledo, Ohio. In April 1997, she applied to Prudential for homeowners insurance coverage, in connection with the purchase of her home on Pinewood Ave. At the time, the house, built in 1915, had a market value of \$42,000. Prudential told her that they had “run into a problem” with her because “there is no insurance history.” Ms. Alsup was directed to the Ohio Fair Plan “for somebody that can’t get coverage.” She was told that “Prudential [would] want to see at least two to three years of history [because] they are really picky.” Ms. Alsup was told that Prudential could not issue a “binder” and that she would need to have an insurance history of two years before she could obtain homeowners insurance from Prudential. On December 8, 1997, Ms. Alsup filed a HUD Complaint against Prudential, which is still pending. Ms. Alsup still owns the home but now resides in Las Vegas, Nevada.

80. Plaintiff Robert Scales owns a home at 544 East Park Street in Toledo, Ohio. In August 1996, Mr. Scales applied for homeowners insurance coverage with Prudential in connection with the purchase of his home on East Park Street. Mr. Scales had a history with Prudential, which had insured his prior home at 1015 Sherman Avenue in Toledo. At the time, the house, built in 1914, at East Park Street had a market value of \$41,500. Mr. Scales was told that Prudential could not insure the house because of the market value and what it would cost to rebuild it if it were to burn down. Mr. Scales was provided a 1-800 number for further questions. He called and the Prudential representative at the 1-800 number informed Mr. Scales that “[t]he minimum amount in the state of Ohio that [Prudential] can write . . . a market value policy for is \$50,000.” On July 29, 1997, Mr. Scales filed a HUD Complaint against Prudential, which is still pending.

81. As a result of the discriminatory practices of Prudential, the Individual Plaintiffs were each wrongfully denied or turned down for homeowners insurance coverage, and their efforts to adequately insure and protect their homes were denied or impeded. The Individual Plaintiffs each suffered, and continue to suffer, significant and irreparable loss and injury, including but not limited to economic loss, humiliation, embarrassment, emotional distress, and deprivation of their right to contract for and obtain housing and housing-related services on the same basis as homeowners in majority white neighborhoods. Prudential knew or should have known that its actions would result in such injuries to the Individual Plaintiffs.

CAUSES OF ACTION

COUNT I

Unlawful Discrimination Under the Federal Fair Housing Act (All Plaintiffs)

82. Plaintiffs reallege and incorporate by reference the above paragraphs, as if fully set forth herein.

83. Prudential's guidelines, practices, policies, and actions, as described above, have violated and/or continue to violate the rights of each of the Plaintiffs under *the Federal Fair Housing Act, including by the following:*

- (a) Making unavailable or denying dwellings to persons because of race, color, and/or national origin, in violation of Section 804(a) of the Fair Housing Act, 42 U.S.C. § 3604(a) and related regulations;
- (b) Discriminating on the basis of race, color, and/or national origin, in the terms, conditions, or privileges of the provision of services or facilities in connection with the sale or rental of dwellings, in violation of Section 804(b) of the Fair Housing Act, 42 U.S.C. § 3604(b) and related regulations; and
- (c) Discriminating on the basis of race, color, and/or national origin in making available or in the terms or conditions of residential real

estate-related transactions and, in particular, in providing financial assistance for purchasing, repairing, or maintaining a dwelling, in violation of Section 805 of the Fair Housing Act, 42 U.S.C. 3605(a) - (b)(1) and related regulations.

84. Prudential's guidelines, practices, policies, and actions, as described above, have had, and continue to have, a disparate impact on the Plaintiffs, on other past, present, and prospective African-American and Hispanic homeowners, and on other past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods, including in the geographical areas served by the Plaintiff Fair Housing Organizations. Prudential has violated the rights of each of the Plaintiffs under the Federal Fair Housing Act; namely, under section 804(a) (42 U.S.C. § 3604(a)); section 804(b) (42 U.S.C. § 3604(b)); and section 805(a)-(b)(1) (42 U.S.C. 3605(a)-(b)(1)).

85. *By the actions described above, Prudential has engaged in, and continues to engage in, a pattern and practice of discrimination against past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods, because of race, color, and/or national origin, in violation of the Fair Housing Act.*

86. The past and continuing acts and conduct of Prudential, described above, are intentional, malicious, and have been carried out with callous and reckless disregard for the federally protected rights of the Individual Plaintiffs, the Fair Housing Organization Plaintiffs, and the individuals served by the Fair Housing Organization Plaintiffs.

87. Prudential has intentionally, knowingly, and continuously engaged in the practices described in this Complaint, including adhering to practices that have a predictably discriminatory effect on past, present, and prospective African-American and

Hispanic homeowners, and on past, present, and prospective homeowners in predominantly African-American and Hispanic neighborhoods. Prudential has engaged, and/or continues to engage, in such practices with the intent of denying equal opportunities to past, present, and prospective African-American and Hispanic homeowners, as well as past, present, and prospective homeowners in African-American and Hispanic neighborhoods.

88. The acts and conduct of Prudential complained above have caused and/or continue to cause substantial injury to each of the Individual Plaintiffs and each of the Fair Housing Organization Plaintiffs.

COUNT II
Unlawful Discrimination Under 42 U.S.C. § 1981
(Individual Plaintiffs)

89. Plaintiffs reallege and incorporate by reference the above paragraphs, as if fully set forth herein.

90. By the actions described above, Prudential has denied the Individual Plaintiffs the same right to make and enforce contracts as enjoyed by white citizens of the United States, in violation of 42 U.S.C. § 1981.

91. As a result of the continuing discriminatory practices of Prudential, the Individual Plaintiffs either were wrongfully denied homeowners insurance coverage, or were severely impeded in their efforts to purchase homes. Also as a result, the Individual Plaintiffs have suffered, and continue to suffer, significant and irreparable loss and injury, including but not limited to economic loss, humiliation, embarrassment, emotional distress, and deprivation of their right to contract for and obtain housing and housing-related services on the same basis as whites.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that the Court grant them the following relief:

(a) The Court should enter a declaratory judgment finding that the actions of Prudential, its parents, affiliates, subsidiaries, agents, employees, and representatives, as alleged above, constitute unlawful discrimination in violation of 42 U.S.C. §§ 3604 and 3605, and 42 U.S.C. § 1981.

(b) The Court should enter a permanent injunction, and all other affirmative relief necessary, enjoining Prudential, its parents, affiliates, subsidiaries, agents, employees, and representatives from further engaging in the illegal discriminatory conduct described above, and further directing Prudential to take all affirmative steps necessary to remedy the effects of their past illegal discriminatory conduct. Such injunctive relief should include, but not necessarily be limited to, the following:

- (1) Prudential must eliminate for all of its homeowners insurance programs any and all underwriting rules, policies, or criteria that are related to (a) the age of a house; (b) the value of a house; and (c) the replacement-cost-to-value ratio for a house.
- (2) Prudential must cease to require any prior underwriting approval for coverage to be bound where the replacement value of the home exceeds the market value, no matter what the ratio.
- (3) Prudential must re-enter the District of Columbia insurance market, and undertake to locate multiple sales offices in underserved neighborhoods.
- (4) Prudential must cease the use of rating territories to the extent that the designation of any territory has any measurable disparate impact on neighborhoods that are predominantly African-American or Hispanic.
- (5) Prudential must cease from utilizing credit rating or credit scoring, including "FICO" scoring, of any applicants, and also

cease from requiring any applicant to provide a social security number or birth date.

- (6) For any remaining underwriting requirements, Prudential must agree to apply these rules consistently, as between white and African-American and Hispanic applicants, and to existing or potential homeowners in African-American and Hispanic neighborhoods.
- (7) Prudential must warrant that it has or will open (or relocate) at least three urban sales offices in a centrally located and convenient site in Washington, D.C., Richmond, Philadelphia, Toledo, and Milwaukee.
- (8) Prudential must cease to utilize any sales techniques or practices that discourage existing or potential homeowners in African-American and Hispanic neighborhoods from purchasing homeowners insurance. Specifically, Prudential must institute a policy of encouraging customers to insure to *full replacement cost*, with the customer choosing the insurance appropriate for his or her needs.
- (9) Prudential must agree that to the extent it conducts interviews of applicants or *inspects their properties* as a condition of the sale of homeowners insurance, or otherwise takes condition into account, Prudential will use and apply in *all geographic areas and neighborhoods* similar and consistently applied interior and exterior inspection criteria and processes that are supported by empirical data and analysis related to insurability. Such inspections would have to rely solely on an objective assessment of the physical characteristics and condition of the home and would not reference subjective criteria such as “pride of ownership” or “moral hazard.”
- (10) Prudential must cease to suggest or steer applicants to the State insurance plans, and must review all policies currently insured with a “Fair Plan” or other state insurance program for the purpose of reinsuring in the voluntary market.
- (11) Prudential must cease to decline “first time home buyers” for full coverage.
- (12) Prudential and its agents must treat applicants from predominantly minority neighborhoods the same as applicants from predominantly white neighborhoods with respect to the provision, terms, and conditions of homeowners insurance.

(13) Regarding all of the above, Prudential must commit to train adequately and instruct its agents in anti-discrimination and equal opportunity laws and requirements, and in the benefits of assisting African-American and Hispanic customers in African-American and Hispanic neighborhoods.

(14) Prudential must take all other necessary measures to remedy and address the matters set forth in this Complaint.


(c) The Court should award compensatory damages to each of the Fair Housing Organization Plaintiffs, in an amount to be proven at trial, that would fully compensate them for their diversion of resources, frustration of mission, and other damages they have suffered as a result of Prudential's unlawful and discriminatory acts, as alleged in this Complaint.

(d) The Court should award compensatory damages to Plaintiffs Holiday-Goodman, Alsup, and Scales, in an amount to be proven at trial, that would fully compensate them for their economic loss, humiliation, embarrassment, emotional distress, and other damages they suffered as a result of Prudential's unlawful and discriminatory acts, as alleged in this Complaint.

- (e) The Court should award punitive and exemplary damages to the Plaintiffs in an amount that reflects the intentional, willful, wanton, and reckless misconduct alleged in this Complaint, and that would deter Prudential from future discriminatory behavior;
- (f) The Court should award the Plaintiffs their reasonable attorneys' fees and costs.
- (g) The Court should grant such other relief as it deems just and equitable.

JURY DEMAND

Plaintiffs demand a trial by jury on all issues so triable.


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