



PRESS RELEASE

HOUSING OPPORTUNITIES MADE EQUAL

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Prudential Insurance Discrimination Lawsuit by HOME Now Involves Liberty Mutual

The lawsuit of Housing Opportunities Made Equal (HOME) and other fair housing organizations against the Prudential Insurance Company took an unusual turn yesterday as the National Fair Housing Alliance (NFHA) petitioned the State of Indiana Department of Insurance to reject the sale of Prudential's Property and Casualty Division (PRUPAC) to Liberty Mutual Insurance Company. NFHA, HOME and the other plaintiffs object to the sale because the terms of the purchase perpetuate PRUPAC's discriminatory practices and policies identified in the litigation. The fair housing agencies also contend that Liberty Mutual is accepting legal risks by purchasing PRUPAC's book of business and agreeing to utilize Prudential agents to exclusively sell Liberty Mutual's homeowners policies.

HOME and the other fair housing organizations sued Prudential in 2001, alleging that the company engages in pervasive discriminatory practices and maintains underwriting standards and policies that severely restrict, limit or deny homeowners insurance in predominantly African-American and Latino neighborhoods in the United States. That lawsuit is currently in federal district court in Washington, D.C. A previous, similar lawsuit against Liberty Mutual was settled in 1999. "I can't understand why Liberty Mutual is looking for trouble with this purchase," said Constance Chamberlin, President and CEO of HOME. "Liberty has worked to ensure that its practices make quality homeowners' insurance available on a non-discriminatory basis, but now they are knowingly buying a book of business that is packed full of discriminatory policies. This sale not only puts Liberty in jeopardy, given the terms of the sale, it will lock African American and Latino homeowners into less desirable and more costly policies for at least seven years." According to Shanna Smith, President and CEO of NFHA, the fair housing organizations had no choice but to protest the sale, currently being reviewed by the Indiana State Department of Insurance.

“Our testing information and a review of the company’s practices indicate that PRUPAC’s policies for African-Americans, Latinos, and homeowners living in predominantly minority neighborhoods provide inferior coverage at higher prices. This transaction is being processed as if it’s business as usual.”

Liberty Mutual’s filing with the Indiana State Department of Insurance states that Liberty Mutual can only provide “product-specific” training to Prudential through Prudential Insurance Brokerage, Inc., who will then in turn train the Prudential authorized agents. “Liberty Mutual cannot even require training on the Fair Housing Act or require Prudential agents to follow the policies and practices Liberty Mutual instituted following the resolution of the 1998 fair housing lawsuit,” said Ms. Chamberlin. Furthermore, Helmsman Insurance did not participate in the earlier, extensive fair housing training Liberty provided for its agents. According to Ms. Chamberlin, the agreement sets up an arrangement whereby Liberty buys Prudential’s homeowners’ insurance business (the Prudential Property and Casualty Company, or PRUPAC), then contracts with Prudential to train their own agents and solicit and service property and casualty products. “It’s bizarre,” she said. “The company that has worked to clean up its act has now turned over authority to a company that is currently being sued for insurance discrimination.”

The action taken by NFHA on behalf of the other litigants marks the first time fair housing groups have challenged the purchase of an insurance company before a state commission.

The current lawsuit against Prudential alleges that the company maintains maximum age and minimum value restrictions so that houses over a certain age or under a certain value are not eligible for the best coverage; uses rating territories that are segregated into zones reflecting the racial compositions of neighborhoods and charges higher premiums in the majority African-American rating territory; avoids African-American neighborhoods in its agent location; is less responsive to African-American insurance seekers than to white insurance seekers; provides White callers better coverage than African-Americans; has refused to provide coverage in predominantly African-American localities; and sets up barriers to coverage for African-American callers. “The company says they’ve changed,” said Ms. Chamberlin. “We have yet to see any proof.”

HOME is a private, non-profit organization founded in 1971 to ensure that everyone is treated fairly in their search for housing. To achieve this goal, HOME has developed a comprehensive range of programs and partnerships to address the barriers to housing choice. HOME helps victims of housing discrimination, offers comprehensive housing counseling services including pre-purchase counseling, budget and credit counseling, downpayment and closing cost assistance, mortgage default counseling and many more housing related services. HOME provides training and technical assistance to the housing, lending and insurance industries to help make their housing or housing related service(s) available to the greatest number of people.

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