



PRESENTS

Redlining **IN RICHMOND**

HOME v. Nationwide



HOME wishes to thank the following partners for sponsoring this exhibit.

This educational opportunity on the history and long-standing impacts of redlining in the community is made possible by a grant from the

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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redlining:

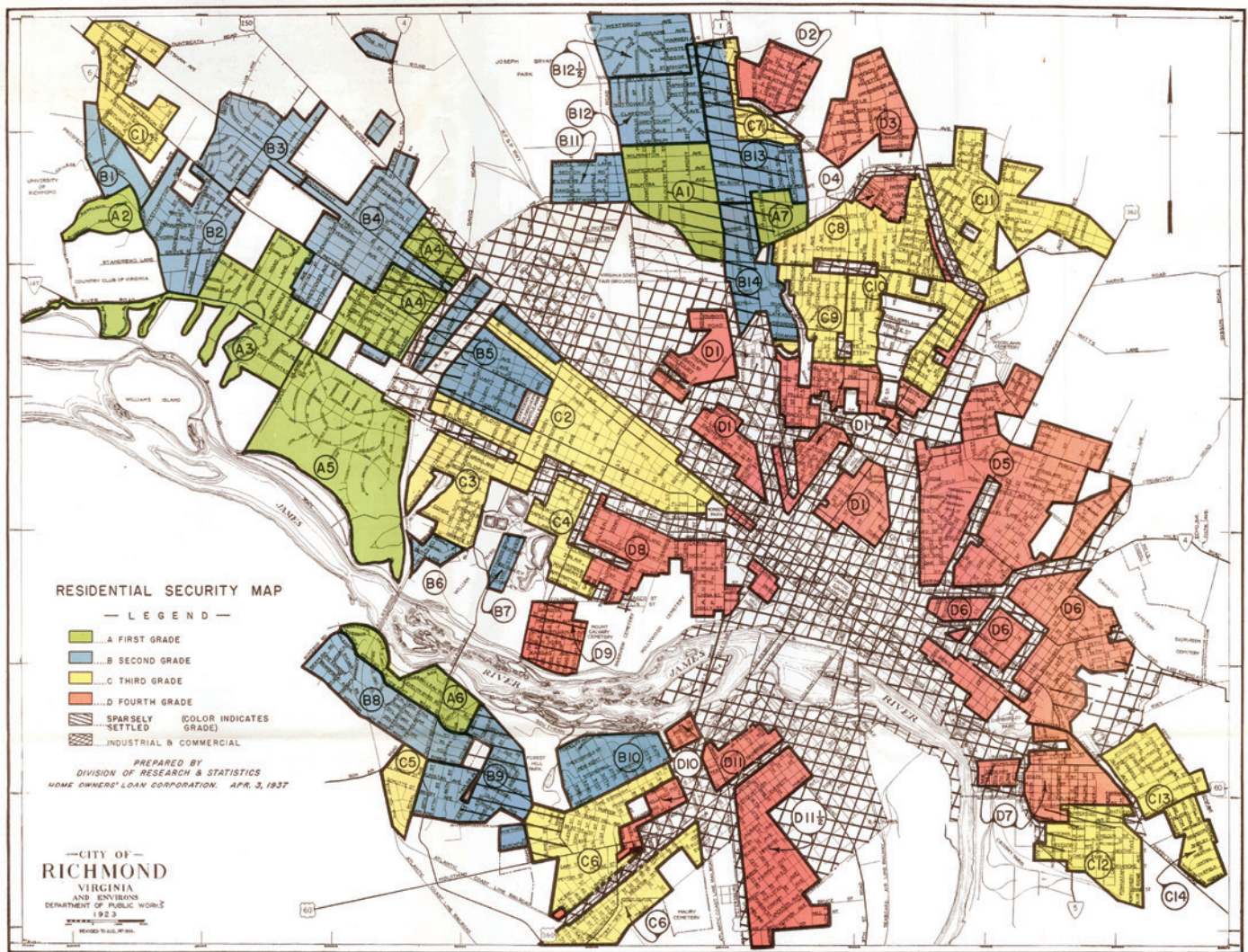
a discriminatory practice by which insurance companies, banks, etc., deny services to residents based on the racial or ethnic composition of their neighborhoods.



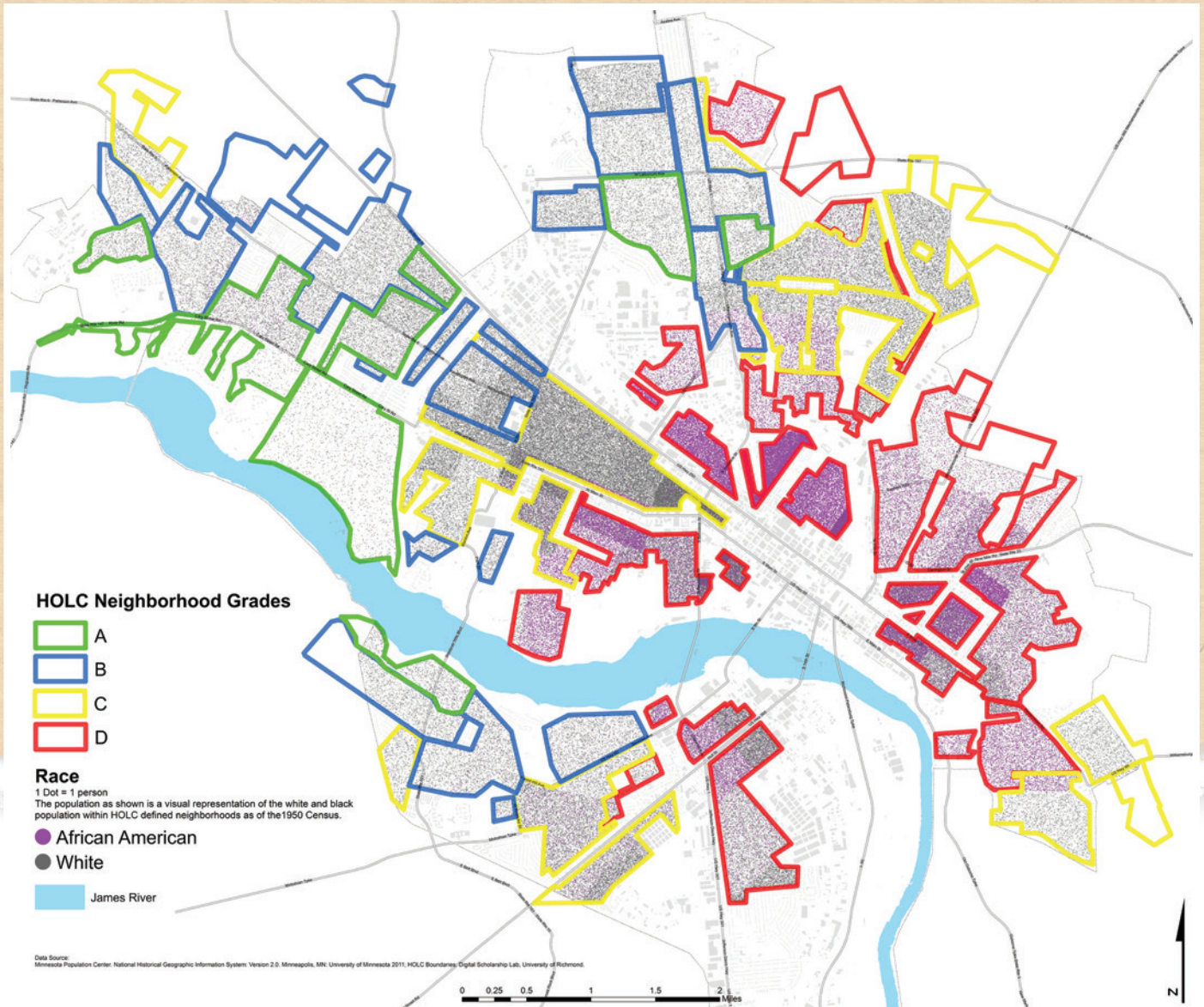
ORIGINAL HOLC MAP (1937)

The Digital Scholarship Lab at the University of Richmond has produced "Redlining Richmond" which can be found at dsl.richmond.edu/holc. The site presents maps and lists of the assessment data collected for Richmond, Virginia, and

explores how race and racism shaped the HOLC's assessments of the city's neighborhoods and the residential security map it produced for Virginia's capital.



DIGITAL HOLC MAP WITH RACE DOT DENSITY ADDED



HOLC NEIGHBORHOOD DEFINITIONS

- A** = Areas were "hot spots... where good mortgage lenders... are willing to make their maximum loans."
- B** = Areas were not as desirable but "still good."
- C** = Areas had reached "the transition period" where they were in decline due to factors such as "age, obsolescence, and change of style" and "infiltration of a lower grade population."
- D** = Areas had fully declined and were "characterized by detrimental influence in a pronounced degree."

Language above was from the Federal Home Loan Bank Board's City Survey Program as referenced on dsl.richmond.edu/holc.

In the wake of the Great Depression, the federal government passed the National Housing Act of 1934, a part of the New Deal targeted at making homeownership more affordable and preventing foreclosures. A significant result of the Act was the creation of the Home Owners' Loan Corporation (HOLC) to prevent foreclosures and refinance mortgages. Until this time, mortgages were amortized over five to 10 years and

typically culminated in a balloon payment. HOLC greatly extended the amortization period to 20 to 25 years. The program is credited for saving more than one million homes from foreclosure and for coining the phrase "redlining." **Redlining refers to the practice of denying or charging more for services like banking and insurance based on the racial or ethnic composition of their neighborhoods.**

By working with local real estate agents in cities across the country, HOLC created Residential Security Maps based largely around the racial composition of neighborhoods. In these maps, a red line delineated neighborhoods not fit for investment. As seen in the map, those areas outlined in red, or graded type D by the HOLC, were predominantly African-American and

found in the inner city. Areas labeled type C were classified as "working class" and contained a larger number of whites. The vast majority of areas graded types A and B were populated solely by whites. The discriminatory HOLC grading system and resulting lack of investment in predominantly African-American neighborhoods has consequences still prevalent today.

REDLINING IN HOMEOWNERS INSURANCE

During the early 1990s, HOME became increasingly concerned about discrimination in the homeowners insurance industry. Underwriting guidelines of most major insurance companies stated that homes over a certain number of years old (usually more than 50) and under a certain value (usually worth less than \$50,000) were not eligible for insurance. **This practice disproportionately affected African-American neighborhoods and is known as insurance redlining.** It originated in the insurance industry in the 1920s and 1930s. The effect was broad denial of insurance to homes in low-income neighborhoods and contributed to the deterioration of older urban areas. These policies did not come about by accident, but by deliberate design.

HOME, along with fair housing centers in other cities, coordinated an investigation of insurance policies, with support from HUD. The project was known as the Homeowners Insurance Project. In 1995, HOME went to Tim Kaine and told him that they were embarking on a year and a half project that required the involvement of an

attorney to educate them, because no one in Richmond knew much about insurance policies. Through the support of the unique cooperative venture, and by doing a considerable amount of research, each organization became expert. They obtained copies of underwriting policies, mapped agent office locations for the previous five-year period to determine how available agents were to minority clients, and continued their testing investigations.

By 1996, HOME had gathered evidence for over a year and a half from Nationwide Mutual Insurance Company and found stunning evidence of discrimination in Richmond. HOME decided to file suit against them. HOME asked Tim Kaine to take the case and filed suit in Richmond Circuit court.

Attorneys of record included Steve Dane of Toledo and Thomas M. Wolf, Tim Kaine, and Rhonda M. Harmon of Mezullo & McCandlish of Richmond. The comparative size of the legal firms representing HOME and Nationwide was unequal.

This was the first trial of the insurance industry in the U.S. focusing on discrimination in homeowners insurance.

THE TESTING

Fair housing testing is a tool used by fair housing organizations and government agencies to uncover illegal housing discrimination. Testing is a simulated housing transaction designed to obtain evidence of any differential treatment based on an individual's protected class status, including race. **Posing as shoppers for homeowners insurance, testers contact a housing provider and then gather and record objective information about the transaction.** Testing has been approved by the United States Supreme Court as a legitimate means of revealing otherwise concealed, discriminatory housing practices.

In HOME's investigation of Nationwide, between July 1995 and October 1996, testers called nine different agents selling Nationwide homeowners insurance and asked for a quote on a home they were in the process of purchasing. HOME matched three pairs of houses for type and date of construction, size, condition, and the like. Within each pair, the homes differed only by the race of the neighborhood in which they were located – one in a predominantly white neighborhood, and one in a predominantly African-American neighborhood. After 15 tests, HOME then compared the results, which were troubling.

In 13 out of 15 tests, the house in the white neighborhood received favorable treatment.

In seven cases, the tester posing to purchase the house located in the predominantly white neighborhood received a quote while his or her counterpart looking to buy in the African-American neighborhood did not. In the six tests in which both testers received quotes, the price offered to testers seeking to purchase in an African-American neighborhood was at a higher rate per thousand dollars of coverage than the tester looking in a white area.

Some examples of the results:

In test I-059, a 71-year-old house in the white neighborhood was given a quote. However, the test home in the African-American neighborhood was told they didn't insure homes over 70 years old.

In tests I-007 and I-042, the homes in the African-American neighborhoods were not given quotes because it was too close to closing, yet the white neighborhood homes were given quotes despite having the same closing dates.

In test I-009 and I-011, quotes were given to both homes, but the white neighborhood homes received better price quotes.

At the time of the investigation, here is the majority makeup of the neighborhood.

In each and every case, the home in the white neighborhood was given better insurance options.

PLAINTIFF'S EXHIBIT	NEIGHBORHOOD	DEMOGRAPHIC
151	Ginter Park	white
154	Barton Heights	black
152	Oak Hill	black
153	Lakeside	white
155	Highland Park	black
156	Ginter Park	white

PAIRED TEST HOMES USED



AND



AND



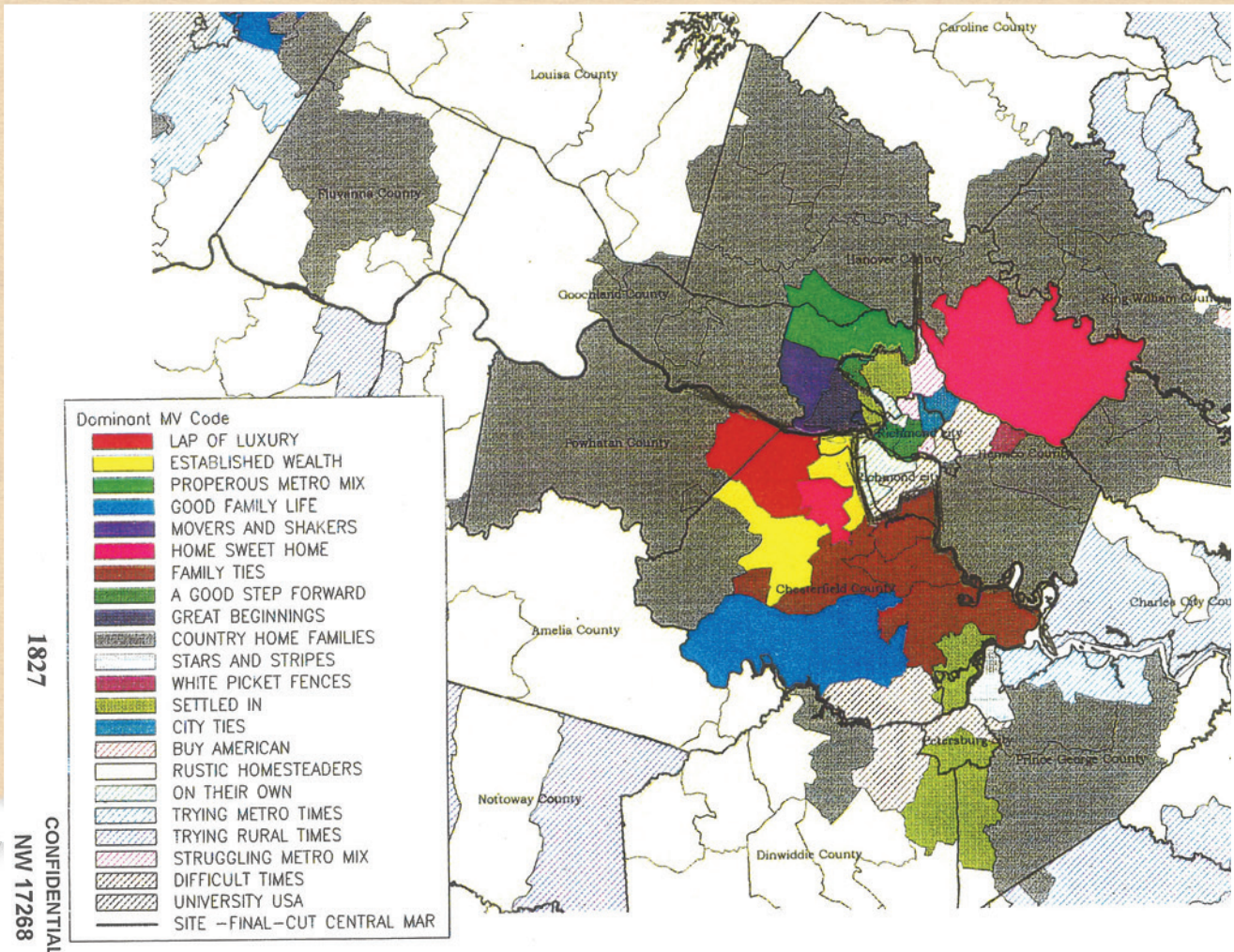
AND



Test Comparison

Test No.	White Neighborhood (Ginter Park or Lakeside)			African American Neighborhood Highland Park, Barton Heights or Oak Hill		
	Quote Given?	Price/Reason	Comments	Quote Given?	Price/Reason	Comments
I007	YES	336/2.72 343	Size more (G) 21 days to closing	NO	Need 30 days to inspect	Size more (E)
I008	YES	House > 65+ 344/2.99	Al Taylor (G)	NO	House too old	Al Taylor (E) House = 70 yrs
I009	YES	\$295/2.57 \$345/3.00	(G)	YES	\$307/3.41 \$250/2.77	(E)
I010	NO	Replacement too Much	(G,W) House > 50	NO	Age of House	(E) Per Under-Writer Instructions
I011	YES Verbal	\$230/2.19 (E) \$257 (auto-E) \$285/2.71 (E)	(W,G) Older HOME MORE <small>Written quotes</small>	YES	\$269/2.83 \$242/2.55 (w/Arb)	(E)
I012	NO No	Need inspection on 55 yr. old house House over 50 yrs needs 30 day Insp.	(W)(G)	NO	16 days to Close	(E) Age/Closing Referral to F. Butler
I020	YES	179/2.82	NOT ASKED ADDRESS	YES	\$185 3.13	(O)
I022	YES	\$188/2.59	STECH (L)	YES Verbal	\$165/ \$300	(O)
I042	YES	\$336/\$369 2.612	Size more (G) (S) No Closing	NO	Closing late too close to inspect	Size more (4 th)
I043	YES	\$186 3.1	Bond (S) \$58,000	NO	House < 60000 Age	Taylor (4 th)
I050	NO	Price Age	(G)	YES	\$199 3.3	4 th Age? 1947 Referral
I057	YES	288/2.42	King (G)	NO	HOME > 50 yrs	Bond-King (E) <small>to stel</small>
I059	YES	291 \$291/2.39	Size more (G,W) House = 2-3 wks to insp. 7 years	NO	Age of House	(E) House = 70 yrs
I061	YES	\$266/2.25	House = 70 yrs (G),(W) STECH	NO	HOME > 50 yrs	STECH (E)
I063	YES	\$376 2.87	Taylor (G)	YES	343/418 3.11	(E)

G = Ginter Park L = Lakeside E = Edgewood 4th = Fourth Ave. O = Oak Hill



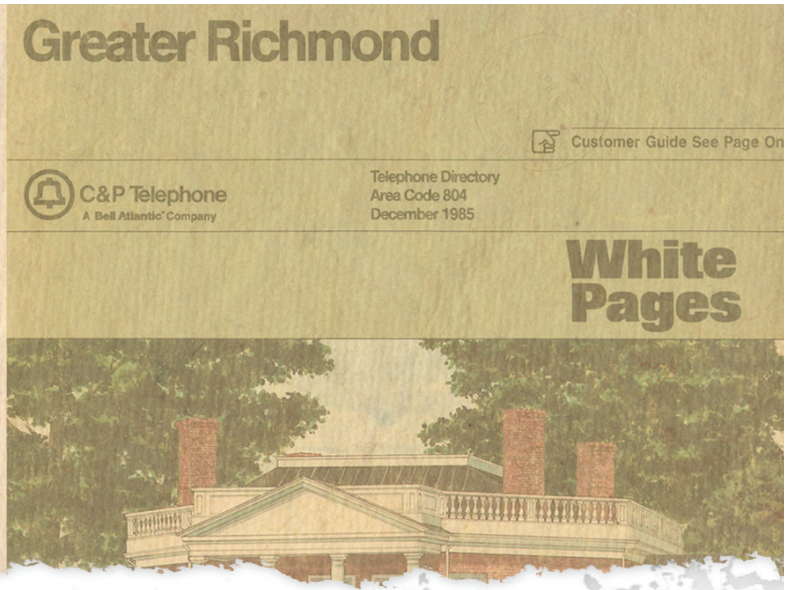
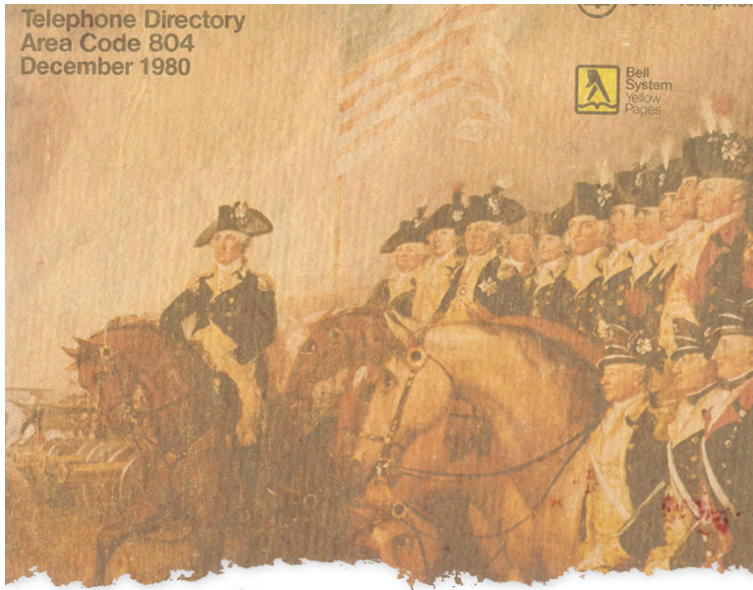
DEFINING NEIGHBORHOODS BY RACE

To accomplish its redlining mission, Nationwide first identified the minority areas using a tool called MicroVision. It then branded those areas with offensive and sometimes racially stereotypical names. For example, Nationwide denominated several minority zip codes "Metro Minority Families." Nationwide called another Richmond zip code "Struggling Minority Mix" and also designated several minority zip codes "Difficult Times."

Nationwide defined "Difficult Times" as black urbanite households with many children; they are headed by parents under 35 or between 55 and 64 years of age. Most of this segment did not graduate from high school, but a significant amount still consider themselves as students. With very low incomes, most work as service workers or laborers and rent their home. Financially, they have low to average accounts,

except retail, which is high. Working hard to survive, they have little time for recreation, but they do watch situation comedies and read TV Guide. This segment is 85 percent black and has the second lowest percentage of whites. Every single definition Nationwide provided for its codes referred to the racial composition of the group.

Having determined the racial composition of the ZIP codes, Nationwide placed each ZIP code into one of five categories. Four of the categories have favorable designations; "Affluent," "Mainstream," "Mature," or "Country Living." Nationwide determined that it wanted to do business only in the top four MicroVision categories. Nationwide had placed every single minority Richmond ZIP code and every ZIP code with an ethnic or minority designation in its "Diverse/Remaining" grouping in every version of the MicroVision listing it ever created. Nationwide called the ZIP codes listed in these preferred categories its "target market." And it declared that the target market definition eliminates large portions of the African-American population. The fifth category, called "Diverse/Remaining," is, in a real sense, **blacklisted**.



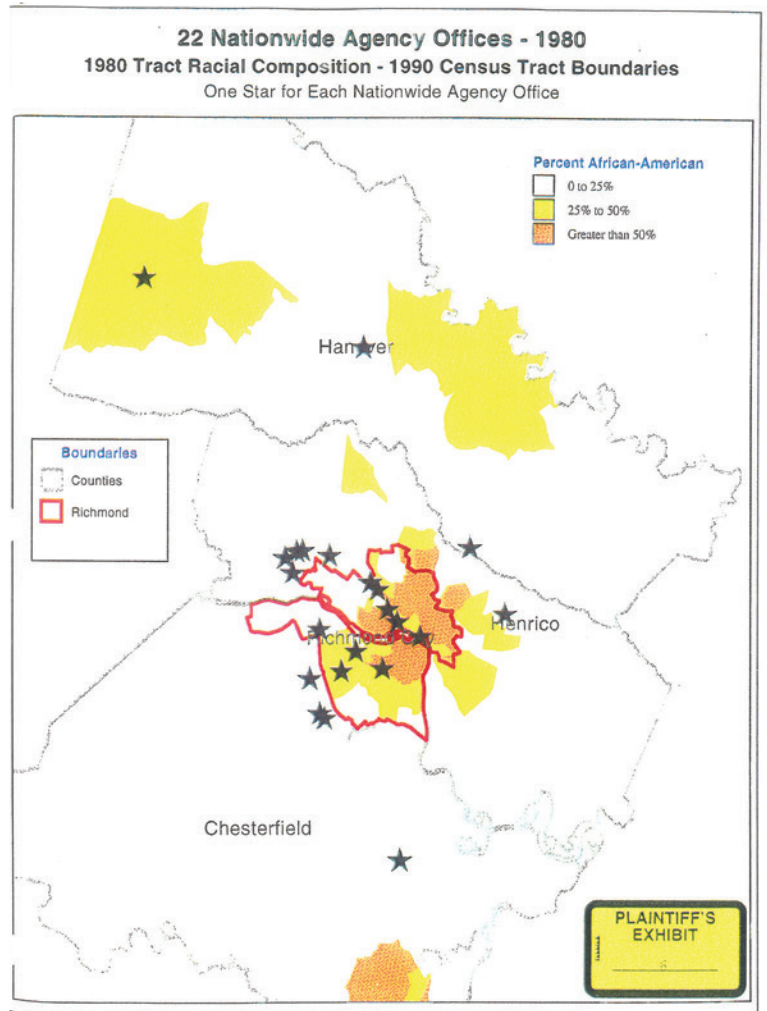
During the investigation, HOME used the yellow pages to study the addresses of the Nationwide agents over a period of time. The following is an actual excerpt from opening statements by attorney Tim Kaine at the trial on October 13, 1998.

Nationwide sells through agencies, and it is interesting to track over the period what has happened with the Nationwide agencies in this region. Nationwide generally tells its agents that they would like them to sell near the areas where they have their offices.

Here's where offices were in 1980 for Nationwide in the Richmond metropolitan area. This area in the center is the city of Richmond and every star represents a Nationwide agency. The shaded areas represent neighborhoods that are predominantly African-American. And in 1980, what you'll see is that Nationwide had a number of agencies right in the city, and a number that were very close to African-American neighborhoods; that was 1980.

But by 1997, the situation had changed dramatically. By 1997, here is the map now. The number of African-American areas have grown, and all of the Nationwide agencies, with the exception of a couple right on the border with Chesterfield, have moved out of the city. They're all now in the counties, and there's no Nationwide agency that's within an African-American neighborhood.

And again, let me just show you the difference between these. In 1980, clustered in the city. 1997, it's like there's been a tremendous big bang that's thrust the agencies out into the suburbs rather than remain in the city.



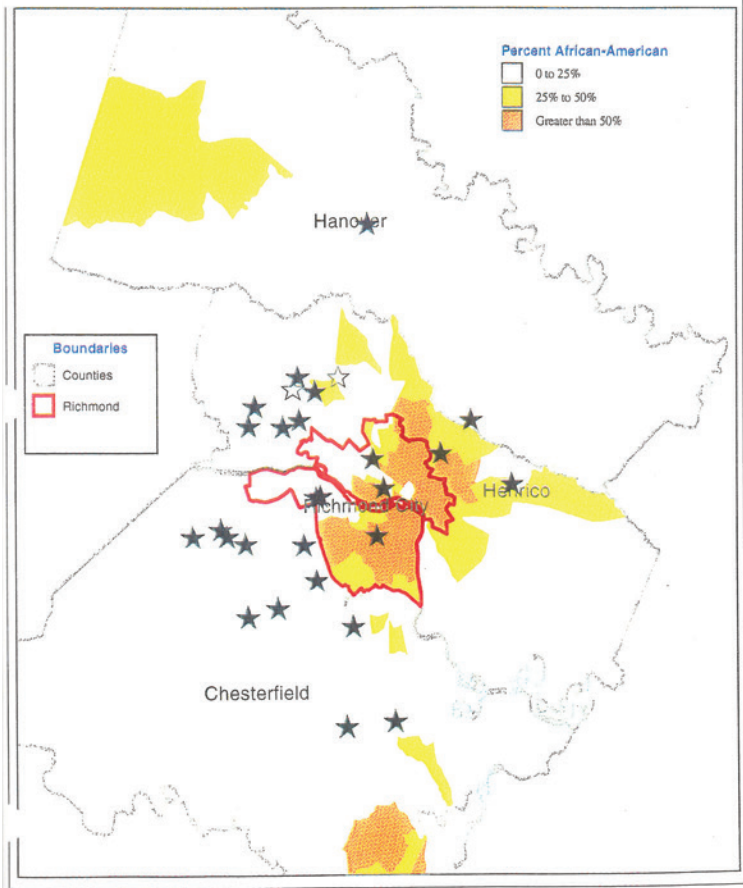


Virginia's
Additional Area Code
USE IT NOW!
540
See Customer Guide in Your Local White Pages Directory

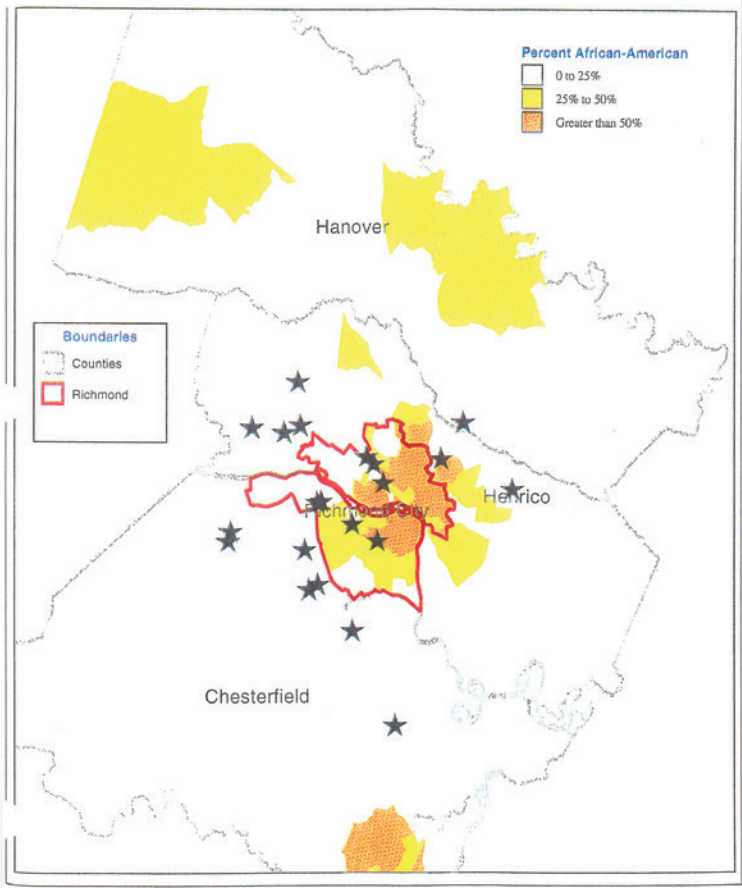
Greater Richmond
Area Code 804

December November
1995-1996

27 Nationwide Agency Offices - 1990
1990 Census Tract Racial Composition
One Star for Each Nationwide Agency Office (Hollow Star for Address Options)




21 Nationwide Agency Offices - 1985
1980 Tract Racial Composition - in 1990 Census Tract Boundaries
One Star for Each Nationwide Agency Office



YELLOW PAGES  **757**
The Customer Guide in Your Local White Pages Directory

Greater Richmond Area Code 804

December 1996 - November 1997

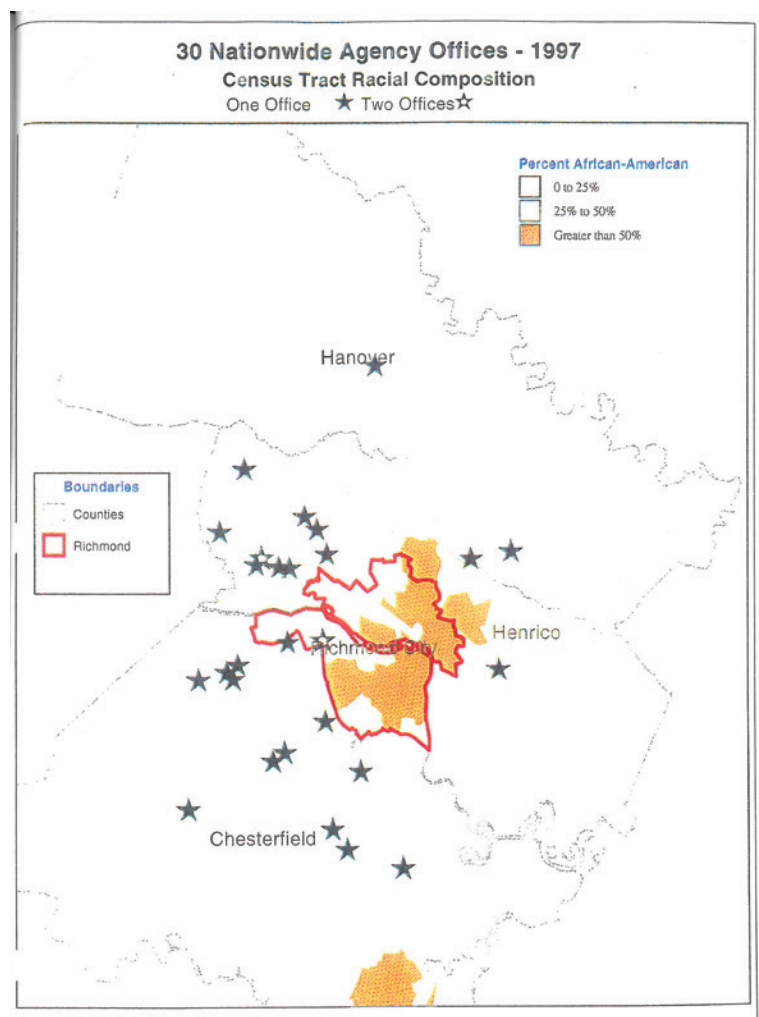
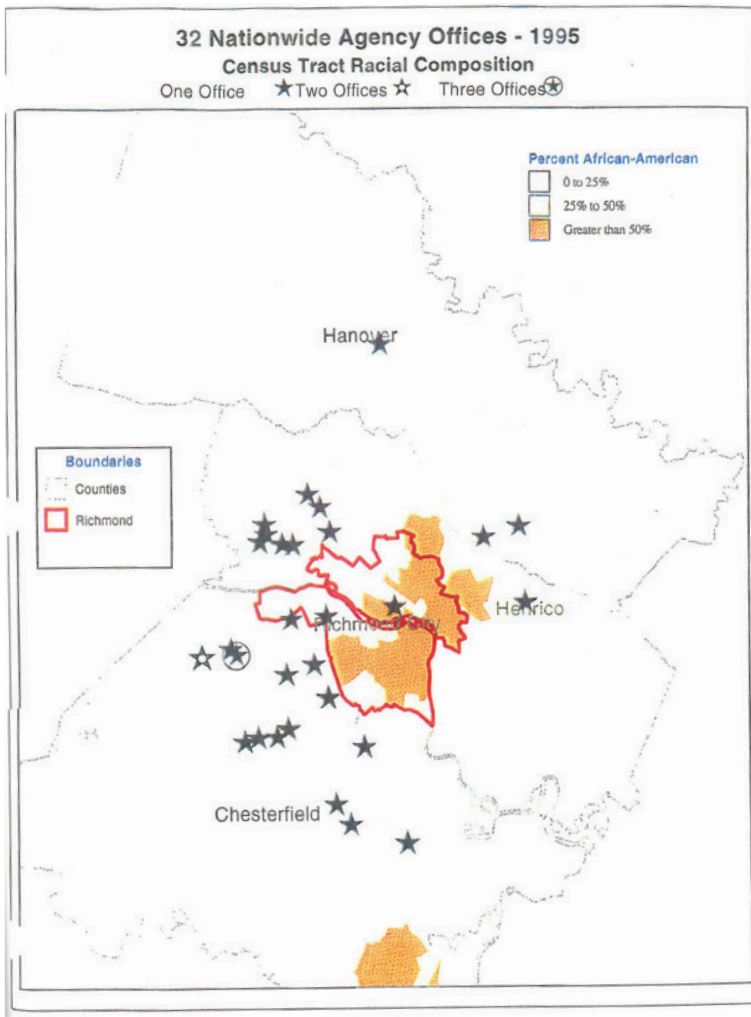
The Old Stone House of the Edgar Allan Poe Museum

Greater Richmond

Area Code 804
 December 1997 - November 1998
 Includes customer listings of all local telephone companies

BigYellow
 Your Yellow Pages On The Internet
 www.bigyellow.com

SEE THE GREEN PAGES
 COUPONS FOR SAVINGS



HOME's summary of evidence:

Agent location: Over several decades as the African-American percentage in the city of Richmond increased, Nationwide agents left the city. Agent location is an important factor in where a company does business.

You can see from the maps that as white flight occurred over time from the city of Richmond, so did the Nationwide agents.

NATIONWIDE'S INTENTIONAL STRATEGY TO AVOID AFRICAN-AMERICAN NEIGHBORHOODS IN RICHMOND.

IN CLOSING ARGUMENTS, HOME'S ATTORNEYS DESCRIBED HOW NATIONWIDE'S RELIANCE ON RACE FOR MARKETING ALSO DROVE WHERE IT WANTED AGENTS TO WORK. THE EVIDENCE SHOWED HOW THE COMPANY FORCED PRODUCTIVE AGENTS TO LEAVE AFRICAN-AMERICAN NEIGHBORHOODS IN THE CITY.

"There is one, one agency up until 1997 in the city. That agency is way out on Forest Hill Avenue in an all-white area. Nationwide says the reason is because people just couldn't make money in these African-American neighborhoods. But you remember the testimony of Mr. Lee. Mr. William Lee, testified on the second day of trial, the man who is almost 69 years old and who had worked for Nationwide as an agent for 20 years, he said *I was making six figures for Nationwide in 23223, an African-American neighborhood. I was doing well.* All of a sudden he got this letter from his agency manager, shown as Plaintiffs' Exhibit 88, and that letter said *You know, Mr. Lee, despite the fact that you're making more money this year than you did last year, you have one problem and that is your location of your office. What you need to do, Mr. Lee, you need to leave the African-American neighborhood of 23223 and you need to move out to 23112, Midlothian. Midlothian, which has 55 percent African Americans. If you don't want to do that, here is another alternative. Go out to 23233,*

the Far West End. Less than four percent African American. That is what you need to do, Mr. Lee.

"Mr. Lee wasn't the only one. Another letter in that first -- in that same exhibit, Plaintiffs' Exhibit 88, says -- the letter to Mr. Al Taylor -- *Mr. Taylor, you are in the city. You are in a bad location. What you need to do is move out to the Far West End.* Mr. Taylor says *I can't afford to move.* But, Ladies and Gentlemen of the Jury, if you just look at Plaintiffs' Exhibit 39, it says at the bottom there that what we need to do is to tell these agents, they have to focus on the target market areas in our preferred neighborhoods. If they refuse to do that, take away their binding authority. Taking away the binding authority of an insurance agency is their death knell. What is so interesting is that when Mr. Lee decided *I'm not moving from my ZIP code, I'm not moving from my location of 23223,* Nationwide terminated -- they removed his binding authority and ultimately terminated his agency."

As your business advisor, it is my belief that your biggest challenge for this year is that of your agency location. When we first met back in January, I shared with you zip codes that determine Nationwide's target market. In this most recent meeting I had prepared for you various dot density maps that showed us where your agency was in regard to these target markets. As was noted your agency currently is sitting outside of what we determined our best markets to be. As the CEO of your agency, I believe you have a decision to make. One of which is to either remain in your area and outside of our target markets or to relocate into the growth areas that Nationwide has established. I believe that it is possible to remain where you are and reach out to the target market zip codes through tele-marketing to put substantial select risk business on the books. This would take a very aggressive marketing program and one in which I would be glad to assist you with.



NATIONWIDE INSURANCE
Nationwide is on your side

ONE NATIONWIDE PLAZA - COLUMBUS, OHIO 43214

Personal file

RSM. MAY 10 1991

TO: Al Taylor, 4740
FROM: Jim Bocrie, Agency Manager
RE: Business Plan Review, May 6, 1991

May 7, 1991

Thanks for meeting with me yesterday as we reviewed your Agency Business Plan and the progress that you have made so far to date. I am enclosing many of the copies that we reviewed yesterday for your further review and hope that they will be helpful as you adjust your plans for the remainder of 1991. I encourage you to continue to strive to achieve all of your plan objectives as this will go a long way in fulfilling your agency's need of additional income and premium growth.

Al, thanks for your support during the Life Anniversary and I commend you on your Life paid and delivered commissioned to date of \$1,109. This puts you well ahead of target in obtaining your commitment of FAIRSHARE in Life for 1991. I commend you for your recommitment yesterday of achieving this \$2,500 FAIRSHARE Goal.

I also commend you on your decision to once again try X-dating in order to increase your Auto and Fire sales production. You need to have an ongoing consistent marketing plan in these product lines in order to achieve the policy growth which you need. Your current year-to-date sales of 24 autos and 9 fire sales is well below your plan and also the expectations in which I and the Company have of you. I will be getting back with you shortly to see how I can assist you in setting up this X-dating program.

I look forward to our meeting next Tuesday, May 14, 1991, at 8:30AM, as we review and train on the AOA System and help you discover all that this system can do for you and your agency. The AOA is designed to make money for both the Agencies and the Company and when used fully it will do just that.

Al, I am enclosing also a copy of the marketing maps that we reviewed yesterday that revealed the locations of your policyholders within your agency. It is my recommendation to you now as it has been in the past, that you consider relocating to the West End of Richmond into our select risk market. Your agency currently is situated outside of that market and I believe that your agency will continue to suffer in premium growth and loss/ratio by being out of our select risk market. I will be glad to assist you in developing plans to facilitate a move to a new location. You mentioned that you could not afford to move and my response to that was that I can not see how you could not afford it when we look at the total picture of your agency. You need to be in a better market!

PLAINTIFF'S EXHIBIT 88

Finally, Al, the subject of staff once again arises. It was your agreement with me that you will maintain a part-time secretary if --

Confidential
NW 21962 1899

Attachment 3 shows BI claims adjustment strength in these major areas. ICM 90 and BI adjuster locations relative to these areas will facilitate claims cost management and earning the long term competitive rate.

Approach: The general approach will focus Homeowner and Auto new writings in approved subdivisions. Sales will be concentrated in these designated areas. If agencies writing in these zip codes are not supporting the overall approach, initially we will work with them individually, ultimately removing binding authority if necessary.

THE TIMELINE

THE DAVID AND GOLIATH CASE THAT CHANGED THE WAY HOMEOWNERS INSURANCE WAS SOLD IN THE UNITED STATES

The goal in all of the efforts of this investigation and case was to change the way that homeowners insurance is offered in the United States. African-American neighborhoods had suffered disinvestment and decay from being uninsurable or being offered inferior insurance.

CASE FILED

OCTOBER 30, 1996

The case was filed in Richmond Circuit Court on October 30, 1996. This was the first trial of an insurance company in the U.S. focusing on discrimination in homeowners insurance.

HOME, Kaine battle major insurance firm

By Jeremy M. Lazarus

The non-profit group also asked for \$1 million in compensatory damages and \$150,000 each for three homeowners, Donna Sully and Wanda Canada, and Shelton Jones, who allege they were victims of the company's discriminatory practices.

This is the largest amount of damages that HOME has ever sought in its 25-year history. This also is the fair housing group's first attack on a property insurer. Previously, HOME has focused on racial bias in apartment rentals and home sales.

"Nationwide is not on the side of black homeowners based on our investigation," said Timothy M. Kaine of the firm.

Continued on Page 19

"This is an important suit," Mr. Kaine said. He noted that homeowners insurance is essential for people to secure mortgages and to recover if their property is damaged. Putting areas off limits to insurance limits the number of home buyers, raises the cost of home purchases and increases blight, he said.

Richmond Free Press, October 1996

Nationwide Insurance cited in racial discrimination suit

Company denies redlining charges

BY TOM CAMPBELL
TIMES-DISPATCH STAFF WRITER

Housing Opportunities Made Equal and three African-American homeowners — two in Richmond and one in Henrico County — filed a racial-discrimination lawsuit yesterday against Nationwide Insurance Co. and seven of its agents.

The suit accuses Nationwide and the agents of what amounts to insurance "redlining" — denying coverage on houses in black neighborhoods.

Redlining has been used to refer to banks that systematically refuse mortgages in black neighborhoods. Some studies have shown home insurance redlining is a problem in minority neighborhoods across the country.

In the Richmond area, HOME ran a 15-month test in which blacks and whites telephoned Nationwide agents to inquire about insurance on their houses.

Black testers gave addresses in black neighborhoods and whites gave addresses in white neighborhoods. The suit defines a black neighborhood as having a population that is 60 percent or more black.

The testing showed that "Nationwide refused coverage or offered inferior coverage at higher cost for homes in African-American neighborhoods while similar homes in white neighborhoods received quotes for superior coverage at a

lower cost," according to a news release from HOME.

The lawsuit, citing the Virginia Fair Housing Act, charges that "Nationwide and its agents have intentionally, maliciously, wantonly and oppressively engaged in discrimination . . . on the basis of race."

It alleges that the company's underwriting standards effectively deny insurance coverage to African-Americans in mostly black neighborhoods.

"These underwriting standards have been abandoned by other major insurers," HOME said in its press release.

Richmond Time-Dispatch, October 1996

CASE GOES TO TRIAL

OCTOBER 1998

The trial took two weeks in October 1998.

Mayor to lead fight against Nationwide in bias case

By Jeremy M. Lazarus

Mayor Tim Kaine will be heading up the legal attack next week against Nationwide Insurance when the company goes to trial in Richmond to answer charges that it deliberately refused to issue homeowners insurance to African-American neighborhoods.

Mr. Kaine will be representing Housing Opportunities Made Equal (HOME), Richmond's fair housing watchdog, and three homeowners in seeking \$200 million in damages from the company as financial punishment.

According to HOME, the insurer based in Columbus, Ohio, and several of its Richmond agents violated a state fair housing law that states it illegal to refuse coverage in neighborhoods on the basis of race or color.

The insurance company calls the allegations baseless and plans to vigorously defend itself. The nation's fourth largest property insurer is "fully prepared to prove we did nothing illegal," company spokesman Bob Schorlich said this week from Columbus.

The unprecedented trial is scheduled to open Tuesday, Oct. 13, in the John Marshall Courthouse Building.

A seven-member jury will hear the evidence. The case is assigned to Chief Richmond Judge Randall G. Johnson.

Though the trial is scheduled for four days, Mr. Kaine said it may take a month or more to complete.

Over the lawsuit begins, Mr. Kaine said he will have time for official city duties. But that's fine with the mayor who "took office in July."

"This is the one case that I could try and feel like the mayor. This case is really about Richmond," Mr. Kaine said, "about its treatment of Nationwide."

Continued on Page A8

FREE

Richmond Free Press

VOL. 7 NO. 41

RICHMOND, VIRGINIA

OCTOBER 8-10, 1998

FREE

Mayor to lead fight against Nationwide

Continued from Page A1

Mr. Kaine, a partner in Mezzullo & McCandlish, has been involved with this case since its inception in 1996 and will have two other lawyers from the firm assisting him.

"I've only recently reviewed any documents in seeking to prove Nationwide followed the law," Mr. Kaine said. "The suit is a series of tests it conducted in the African-American and white neighborhoods in October 1996. Black and white agents already made differences. After it was filed, the U.S. Justice Department case is. Nationwide has been on the defensive for several years. It has already settled similar but not the Toledo and Lexington Ky. Another case is pending in Cincinnati.

Last month Texas insurance regulators announced plans to impose a \$10 million fine against Nationwide for bias in housing and home policies in minority communities by John Bullock and Latronda Hill at 811 W. Broad St. in the state.

In addition, white agents in Philadelphia, Pittsburgh, Oakland and Louisville also have filed suit against Nationwide for allegedly punishing them for refusing to discriminate.

Richmond Free Press, October 1998

Richmond Free Press

Editorial Page

A12

October 15-17, 1998

"Nationwide is on your side," the singing commercial says. But, allegedly, that's only if you're on the white side of town, or at least on one of the sides not redlined to exclude racial minorities and people of low or moderate income.

That's why it is both right and noteworthy that the mayor of Richmond, Tim Kaine, is leading the legal fight against Nationwide in court here this week. Mayor Kaine, a lawyer, is representing Housing Opportunities Made Equal (HOME) in its suit on behalf of three homeowners seeking \$200 million in damages for Nationwide's alleged insurance discrimination in violation of state law.

"Nationwide has not been on the side of Afro-American homeowners," said the mayor, a partner in Mezzullo & McCandlish. He's been involved in the case against Nationwide since 1996, when the Ohio-based company allegedly rejected the insurance applications of three African-Americans. HOME, a well-known watchdog in the area of housing, used both black and white testers to test the fairness practices of the company. The company failed badly, according to witnesses.

The company's reputation for racial bias is, indeed, nationwide. It denies the bias charges and has recently embarked on a so-called urban strategy in Richmond. However, insurance regulators in Texas last month announced plans to fine Nationwide \$10 million for auto insurance discrimination. Also, white agents in Philadelphia, Pittsburgh, Detroit and Louisville are suing Nationwide, charging that the company punishes them for refusing to discriminate.

On whose side Nationwide really is will apparently have to be settled in court. Meanwhile, says Mayor Kaine, "In my whole legal career, this is the case I am proudest of."

That alone is a hopeful sign for Richmond.

Richmond Free Press, October 1998

ON OCTOBER 26, 1998, THE JURY AWARDED HOME \$500,000 COMPENSATORY DAMAGES AND \$100 MILLION PUNITIVE DAMAGES.

This was the largest civil rights jury verdict in the history of the U.S.

"[This] record award makes clear that discrimination is not just morally intolerable but a bad business practice."

- Andrew M. Cuomo, U. S. Secretary of Housing and Urban Development

Attorney Tim Kaine said that it was the largest and single most difficult case he'd ever had.

B14 The Salt Lake Tribune **BUSINESS** Tuesday, October 27, 1998

Fair-Housing Group Wins \$100 M in Bias Case Against Insurance Company

THE ASSOCIATED PRESS
RICHMOND, Va. — A Virginia fair-housing group that accused an insurance company of discriminating against blacks won a \$100 million judgment Monday.

The plaintiffs, Housing Opportunities Made Equal (HOME), alleged that Nationwide Insurance denied homeowners insurance to black applicants while approving policies for whites under similar circumstances.

"We're absolutely stunned," Constance Chamberlin, executive director of Richmond-based HOME, said after the jury of six blacks and one white announced its decision. "It's a remarkable verdict."

Similar cases elsewhere have been settled, said Shanna Smith, executive director of the National Fair Housing Alliance in Washington, D.C. But she said the largest public settlement to date was \$4.5 million in another Nationwide case in Toledo, Ohio.

"This historic verdict sends a clear message that discrimination does not pay."

-Richmond Free Press, October 29-31, 1998.

The Salt Lake Tribune, October 1998

THE NEW YORK TIMES, TUESDAY, OCTOBER 27, 1998

Insurer Must Pay \$100.5 Million in Redlining Case

By JOSEPH B. TREASTER

In a milestone decision, a Richmond jury ordered the Nationwide Insurance Company yesterday to pay \$100.5 million in damages to a local housing group that accused the insurer of refusing to sell homeowner policies to black residents.

It was the first of many complaints brought by housing groups against insurers to go to trial, and the award of \$100 million in punitive and \$500,000 in compensatory damages was nearly seven times the payment in any case that was settled before trial.

Although the verdict was rendered in a state court, it could influence insurance sales around the country. "Today's verdict is good news not just for minorities," said Andrew Cuomo, the Secretary of the Department of Housing and Urban Development, saying that it would also "strengthen urban neighborhoods around the country."

The Housing Department provided \$1.5 million for research on discrimination that helped the Richmond group build its case. Nationwide, one of the nation's largest providers of homeowners' insurance, said it would appeal the verdict.

During the summer, Nationwide turned down an offer to settle the case for \$20 million, according to Constance Chamberlin, the executive director of the Richmond group that brought the suit, Housing Opportunities Made Equal. "They countered with \$265,000, including lawyers' fees," she said. "We then offered to take \$17.5 million, and they never responded."

John Millen, a spokesman for Nationwide, confirmed that a settlement had been discussed but would not elaborate.

During the two-week trial, Judge Randall G. Johnson of the Circuit Court of the City of Richmond urged the two sides to settle several times, Ms. Chamberlin said.

Lawyers for the housing group spent a week before a jury of four black women, two black men and one white woman explaining how the group had telephoned Nationwide agents in Richmond, which is 55 percent black, with requests for coverage for a house they said was about to be bought, saying alternatively that it was in a white neighborhood and then in a black one.

Getting coverage, Ms. Chamberlin said, "was a problem in the case of the black areas but never in the white ones."

"They didn't refuse all the time to write policies in Afro-American neighborhoods," she said, "but they tried to avoid doing business in those neighborhoods. And if you succeeded in getting a Nationwide policy, you would pay more than your white coun-

terparts and you would be very likely to get an inferior policy."

Mr. Millen said the group was inconsistent in its calls to agents and this led to "a preconceived conclusion that the company was discriminating." He said the group "swayed the jury with highly emotionally charged arguments which we believe had no place in a court of law."

Ms. Chamberlin said her group was faced "with a major case of institutional racism," adding, "You've got to talk about what you see."

"Essentially our attorneys pointed out all of Nationwide's policies and practices and the impact they had on African-American neighborhoods," she said. "We showed that Nationwide relied upon race, in its own documents, as a basis for choosing where to do business."

Quoting from a Nationwide document, the group's lawyers told the jury that agents had been instructed to avoid "black urbanite households with many children," she said.

The New York Times, October 1998

B4 THE WALL STREET JOURNAL TUESDAY, OCTOBER 27, 1998

Nationwide Mutual Insurance Found Guilty of Bias Against Blacks in Sales

The Wall Street Journal, October 1998

Richmond Free Press
Editorial Page
A8 May 20-22, 1999

HOME gets job done

In our estimation, Housing Opportunities Made Equal (HOME) ranks near the top — if not at the very top — in Richmond's get-the-job-done department.

The fair housing watchdog's latest success: A \$4.25 million settlement from Boston-based Liberty Mutual Insurance Co., which, following a HOME discrimination complaint against redlining, has agreed to change its ways in the Richmond market, where the "white only" mentality still keeps housing opportunity doors shut to many black people.

Just last fall, HOME won a \$100.8 million award from a Richmond court jury. In that case, the court upheld HOME's claim that Nationwide Insurance Co. followed racially discriminatory practices in issuing home insurance.

HOME, under the guidance of executive director Constance Chamberlin, has scored these significant legal victories while being engaged in a myriad of programs aimed at eradicating housing problems.

This consistent level of high performance tells why HOME has won national recognition for its aggressive, winning action for fair housing.

Richmond Free Press, May 1999

\$100 million is awarded in bias case

Nationwide Insurance plans appeal

Richmond Time-Dispatch, October 1998

"I think that this verdict is going to change the way insurance is sold in the United States."

- HOME's Connie Chamberlin
Richmond Times Dispatch, October, 27, 1998.

ASPEN LAW & BUSINESS

Fair Housing— Fair Lending

December 1, 1998 Bulletin 12

Jury Orders Nationwide Insurance to Pay \$100.5 Million to Virginia Fair Housing Group

ordered Nationwide Mutual Insurance Company to pay Housing Opportunities Made Equal (HOME) \$100.5 million in punitive and compensatory damages.

The verdict was entered in a lawsuit brought under the Virginia Fair Housing Act by HOME and three individuals against Nationwide and eight Richmond area Nationwide agents.

§ 12.1 In the first property insurance redlining case in the country to go to trial, a Richmond, Virginia jury has ordered Nationwide Mutual Insurance

Aspen Law & Business, December 1998

THE VIRGINIA SUPREME COURT RULING ON THE APPEAL

JANUARY 2000

Not surprisingly, Nationwide appealed to the Virginia Supreme Court. The lower court's verdict was overturned on a four to three vote by a deeply divided court. In rendering their decision, the majority of the Court conveyed that HOME was not the right party to bring the suit. The minority argued strongly that without HOME there could be no suit. In his dissenting opinion with Justices Lacy and Keenan, Justice Hassell listed in twelve pages the evidence against Nationwide that arose during the trial. He also wrote that the effect of the majority's construction of the word "injured [person]" is to render meaningless the General Assembly's 1991 amendment of the Virginia Fair Housing Law to include housing organizations within the definition of "person."



The News & Advance, January 2000

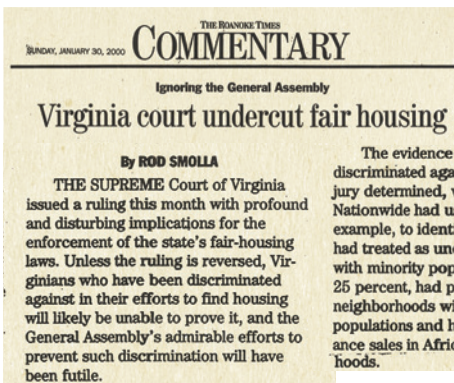
\$100 million judgment tossed out, but HOME refuses to surrender

Mr. Kaine said he is proud of the results he and his legal colleagues Rhonda Harmon and Thomas M. Wolfe achieved in the Nationwide case. The Richmond case is the first in the country to prove that an insurer "deliberately pursued a strategy of racial discrimination. It has never been done before, and there were many who said the issues were too complex for a jury," he said. Having put four years into the case, he's crestfallen at the outcome. He said the decision sets a dangerous precedent that the court needs to reconsider. As it stands, he said, the

ruling effectively bars groups like HOME from using the state Fair Housing Act to root out redlining and will block public service groups from pursuing state actions in other areas as well. In seeking a rehearing, he will argue the state Supreme Court overstepped its constitutional bounds in throwing out the award. Under Virginia's constitution, he said, the General Assembly — not the court — determines who has standing to sue. He said the legislature made its determination in 1991 when it defined HOME and the NAACP as "aggrieved parties" in the state's fair housing law.

Mr. Kaine said the state Supreme Court majority was also wrong not to follow the 1981 U.S. Supreme Court decision that settled HOME's right to sue for damages. He is optimistic that the Virginia appellate court will grant the rare rehearing and change its mind. "After all, Brown v. Board of Education, the landmark 1954 Supreme Court desegregating the schools, was decided on a rehearing," he said. "Sometimes a court needs to hear a case more than once."

Richmond Free Press



The Roanoke Times, January 2000



The evidence that Nationwide had discriminated against minorities, as the jury determined, was overwhelming. Nationwide had used racial profiling, for example, to identify target markets. It had treated as undesirable zip code areas with minority populations of more than 25 percent, had pulled agents from neighborhoods with substantial minority populations and had discouraged insurance sales in African-American neighborhoods.

MOTION TO RE-CONSIDER TO VIRGINIA SUPREME COURT

FEBRUARY 2000

Being an organization of tenacious board members, staff, and lawyers, and knowing that they were right, HOME decided not to give up. HOME's attorneys filed a motion to the Virginia Supreme Court that the Court should reconsider its decision because it was just plain wrong. Most of the states in the U.S. have fair housing laws, as does the federal government. In the motion to the Court, HOME pointed out very clearly the same thing that the dissenting justices expressed — that Virginia is one of only two states that specifically allows fair housing organizations standing to sue, and the Court's decision failed to honor that standing.

Only about once a decade does the Virginia Supreme Court rethink its decision.



Now, the Virginia Supreme Court actually may be poised to break from its long history of racial injustice — by embracing an opportunity to end a particularly invidious expression of racism, redlining. Certainly, everyone who cares about justice and fairness must hope that is the case.

While civil rights protesters and the public have been directing their attention (and money) to a stretch of racism in South Carolina, a legal battle 100 miles to the north over the demeaning reality of racism has been virtually ignored outside Virginia, the state where the case was filed and now rests before the state Supreme Court.

The case, Nationwide Insurance vs. Housing Opportunities Made Equal (HOME), has far more profound implications than whether the Confederate flag should be flying over the state Capitol in Columbia — which, of course, it shouldn't. The case is the only one involving allegations of redlining (the drawing of inappropriate boundaries to facilitate racial discrimination) against an insurance carrier ever to go to trial, and it involves some of the most blatant examples of discrimination by a large institution ever documented. It may be the most significant civil rights case of the past 10 years.

When the trial court heard Nationwide vs. HOME, it didn't merely agree with the Richmond fair housing organization that the insurance company's slogan, "Nationwide is on your side," wasn't of great appeal to blacks. The jury awarded a staggering \$100 million in damages. Nationwide called it "the kind of evidence prompted the

jury to award such gargantuan damages?" Evidence demonstrating that Nationwide developed a comprehensive scheme to avoid doing business in the Richmond area with African-Americans in the 1950s and 1960s. Among other things, the evidence showed that the company had:

- Used racial profiling to identify "target markets."
- Labeled as undesirable every ZIP code with substantial minority populations.
- Filed all of its agents from neighborhoods with substantial minority populations.
- Actively discouraged agents from setting up offices in black neighborhoods.
- Limited hiring efforts to draw from only overwhelmingly white areas, typically ensuring that no blacks would be hired.
- Denied insurance to owners of "undesirable" homes in black neighborhoods.
- Used actuarially unsound underwriting criteria that had the effect of excluding other homes (most of the homes in urban, black neighborhoods).

Appallingly, it also was revealed that when Nationwide called its "target markets" to sue, it offered them what Nationwide called its "weak tier" insurance policy — yet at a higher rate than the premium policy routinely sold in white neighborhoods.

Nationwide's scheme was successful. The carrier reduced its penetration rate in black neighborhoods substantially and achieved, with its primary policy, a rate in white neighborhoods of 20 times that in black neighborhoods.

The Virginia Supreme Court didn't dispute the facts of the case as determined by the trial court, and three of the justices made a point of noting that "HOME proved with overwhelming evidence that Nationwide engaged in intentional acts of racial discrimination."

But four of the justices ruled that even though it was clear Nationwide had illegally discriminated against African-Americans, HOME lacked proper standing in the case (a holding that contradicted the express language of the Virginia Fair Housing Law).

As a result, the trial court's ruling was overturned on a 4-3 vote. The majority opinion was authored by Chief Justice Henry L. Cantor, who 14 years earlier, in one of his first opinions from the high state bench, wrote the infamous ruling enforcing the Virginia state outlawing interracial marriage. (That decision later was overturned by the U.S. Supreme Court.)

Institutional racism once again has prevailed. Or so it seemed.

That was in January. Blatantly, in recent days, the Virginia Supreme Court, in one of those changes of heart and mind that impels the court to reconsider a ruling only two or three times a decade, has agreed to rehear the case.

For three centuries, Virginia's courts provided the legal rationale to justify — and the judicial machinery to enforce — the unmitigated racism of slavery, Jim Crow laws and de facto segregation. The situation was so oppressive that after passage of the federal Civil Rights Act of 1964, when everyone pressing a case involving racial discrimination bypassed the state courts in favor of federal courts.

Now, the Virginia Supreme Court actually may be poised to break from its long history of racial injustice — by embracing an opportunity to end a particularly invidious expression of racism, redlining. Certainly, everyone who cares about justice and fairness must hope that is the case.

After all, does anyone — in Virginia, Texas, or elsewhere — even South Carolina — really believe that ensuring the right to purchase the insurance needed to buy a home is less important than what flag flies over a state Capitol building?

Jim Smolalla is a former journalist and author of the award-winning book "The Dallas Times Herald."

The Dallas Morning News, March 2000

ABOUT ONE MONTH AFTER FILING THE MOTION, THE COURT DECIDED TO WITHDRAW ITS FORMER OPINION ENTIRELY AND REHEAR THE CASE SIX WEEKS HENCE.



redlined in Richmond neighborhoods with high concentrations of African-Americans, the state's Supreme Court has changed its mind and agreed to hear an appeal of the decision.

In January, the Supreme Court ruled that the plaintiff, a group called Housing Opportunities Made Equal in Richmond, had no standing in the case because it was not injured by

Nationwide's alleged redlining (see *NU*, Jan. 24, page 1).

But in a conclusive announcement, the court reversed itself and said it would rehear arguments. It did not offer an explanation. The court could hear arguments in either its April or June sessions.

"We have evidence all over the country of Nationwide violating the law. I will say on the record that they are the worst company I have encountered," Ms. Smith said. "But they've said they want to move forward and if that's so, let them put their money where their mouth is."

Ms. Smith said she hoped HOME and Nationwide could settle their differences out of court.

National Underwriter, March 2000

SETTLEMENT

APRIL 2000

Nationwide was surprised at the Court's decision to reconsider and wanted to settle the case because they knew that a new trial was not a good sign. In the original opinion, the three dissenting justices wrote a total of fifteen pages citing facts about how Nationwide had redlined. Nationwide, knowing that the information was public, felt pressures from both sides. **A settlement was finally reached after midnight the night before the Virginia Supreme Court was to hear new arguments in April 2000.** It included \$17.5 million for HOME and agreements by Nationwide to review and change underwriting guidelines, procedures, and practices to ensure that its insurance was offered on a non-discriminatory basis. In addition, a donation of \$8 million was made to the National Fair Housing Alliance.

\$17.5 million to be paid in HOME case

Rates, bias against black homeowners among issues

By ALAN COOPER
Times-Dispatch Staff Writer

Nearly two months after he became vice president and chief operating officer of Nationwide Insurance on April 1, 1996, Colin Barnes called Connie Chamberlin and Sharon Smith.

At the time, Chamberlin's organization, Housing Opportunities Made Equal, filed a \$100.5 million judgment against Nationwide for discrimination against black homeowners.

Smith, the executive director of the National Fair Housing Alliance, an umbrella group for organizations such as HOME, was pressuring Nationwide to change its national policies and provide more assistance for urban communities.

The lines of communication remained open even after the Virginia Supreme Court took away the judgment in January and then raised the possibility of renewed liability by granting a rehearing in the case two months later.

Yesterday, HOME, Nationwide and the NFHA announced that Nationwide will pay \$17.5 million to HOME to settle the case.

The money is an important part of the settlement, Chamberlin said, "but we wouldn't have accepted the settlement if we didn't think there was a commitment from the top down."

Smarter families with the litigation said Nationwide never offered more than \$250,000 to settle before the jury verdict, which was returned in October 1998 in Richmond Circuit Court.

Chamberlin said the company never understood the seriousness of the case until "after Gabry became president. I'm not saying this just to be smart and sly. It is his personal commitment that made this possible."

She added, "The surprising thing to me is that other companies haven't gotten it, either."

She noted that economic studies have shown that urban neighborhoods have different educational outcomes. "You're trying to force them to make money," by selling insurance to black homeowners, she said.

Barnes said the settlement occurred because "we finally got to the point that we could focus on going forward. . . . Part of that was sitting down and chatting with each other and not with our attorneys."

He said Nationwide needed to get just of an adversarial attitude to be de-escalated to talk directly with Chamberlin and Smith and "see if we could find common ground."

Richmond Time-Dispatch, April 2000

"The money is nice, no question, but HOME doesn't go into these cases for that. We go into it for change, and that's what we got, and that's worth gold."

-Connie Chamberlin, executive director of HOME

Hurrah for HOME!

- HOME has hit another home run for fair housing. And the impact will be felt far beyond Richmond.
- Housing Opportunities Made Equal struck a mighty blow against housing discrimination when it won a big settlement late last month against Nationwide Mutual Insurance Co., the nation's sixth largest property-casualty insurer.
- Under the agreement, Nationwide, as expected, admitted no wrong-doing in the "redlining" case, in which Nationwide was charged with avoiding service to minorities in poor urban areas.
- However, Nationwide agreed to pay HOME \$17.5 million to assist its efforts to provide home-related services throughout central Virginia. The company also pledged an additional \$2 million and volunteered some of its employees and agents to help build 40 houses in 40 cities, including Richmond.
- The settlement came after Nationwide successfully appealed a \$100 million jury verdict in October 1998.
- The lead lawyer for HOME was Mayor Tim Kaine. He deserves enormous credit for spending countless, arduous hours on the case and for never thinking about throwing in the towel. From the beginning, he saw the rightness of the HOME case — and clearly made Nationwide see the light, too.
- The settlement also added to HOME's glowing reputation as an effective equal rights organization, while once again sending the powerful, persuasive message that discriminatory practices in housing are not only unfair and illegal — but also costly.
- Hurrah for HOME!

Richmond Free Press, May 1999

Nationwide Ins. and HOME reach settlement in lawsuit

By Crystal Bowman
Staff Writer

Housing Opportunities Made Equal (HOME) and Nationwide Insurance recently settled a lawsuit after two years of litigation.

In 1996, HOME filed a lawsuit against Nationwide Insurance which has resulted in a settlement. It includes \$17,500,000 to HOME and a separate agreement with the National Fair Housing Alliance, which works with Nationwide to ensure the company is reaching its goals within the urban market.

"Our agreement will result in substantial enhancements of Nationwide's continuing initiatives to aid more policyholders in urban areas and to help revitalize urban neighborhoods," said Nationwide Insurance President and Chief Operating Officer Colin K. Barnes. "I am particularly pleased that Nationwide and HOME now will work together on a common agenda to benefit current and future homeowners, especially those in urban areas."

The partnership will benefit Richmond's

urban neighborhoods by providing more customers in those communities, as well as homeowners throughout the Country.

"With Nationwide's support, HOME expects to expand its mission of promoting fair housing opportunities for all people; offering counseling about fair housing, rental issues and homeownership; and providing financial assistance to help qualified homeowners make repairs," said Constance K. Chamberlin, HOME's executive director.

She said the agreement may have been a surprise for some, but through several meetings with Barnes and Sharon Smith, executive director of the National Fair Housing Alliance (NFHA), the results became inevitable. "I think we were all convinced that we wanted the same thing and we all had a pretty good idea of what each of us could do to ensure that urban residents everywhere have access to the quality homeowners' insurance products offered by Nationwide," she said.

Smith agreed that resolving the issues in Richmond was appropriate before the company could move forward. "Nationwide has made many changes," she said, "not only here in Richmond, but throughout its service area, to increase access to quality homeowners insurance regardless of the age or value of the home." Smith said Nationwide's commitment has encouraged NFHA, the only civil rights organization that combats housing discrimination, to work closely with the company.

"Insurance discrimination remains a serious problem in the United States, NFHA and HOME have maintained a complaint pending against Travelers and Prudential insurance companies for redlining Black neighborhoods in Virginia, Mississippi, Texas, New Orleans and Washington DC."

She said she hopes other companies will take notice and change their practices as well.

Nationwide has one urban sales and service center in Richmond and 19 others all over the United States. Currently, the centers are aging in need to be replaced. "In fact, the Richmond office happens to be one of the top performers," said Barnes. "And we intend to open up 11 more sales and service centers this year throughout the Country."

Additionally, Nationwide has made over \$2 million financial investments and grants to community development groups such as LISC and Neighborhood Housing Services. It has also agreed to join with Habitat for Humanity by giving \$2 million to build 40 houses in 40 cities, including Richmond.

"Just a few weeks ago I had the opportunity to tour Richmond neighborhoods," said

Lemmie Brock, vice president of Urban Markets for Nationwide Insurance. "I saw the great work CityHabitat/LISC is doing with funding provided from Nationwide."

She said LISC and other similar companies are making a difference in the City. "So many of us here today know the potential in urban communities and see the strong revitalization taking place."

"Nationwide insures more than 16 million policyholders, many of whom live in Richmond and other urban areas across the country," said Barnes. "We are committed to working with HOME, NFHA and other organizations to improve housing opportunities for all."

"Access to quality homeowners' insurance of the kind Nationwide provides is critically important to ensure that homeowners are able to protect their investment and see their equity grow," said Chamberlin. "It is critically important to the revitalization of urban neighborhoods and is critically important to the health of our cities. All of us believe that with this agreement, we have taken a major step towards the achievement of each of these goals."

The Voice, April 2000

HOME HAD TAKEN ON THE ONE OF THE LARGEST INDUSTRIES IN THE COUNTRY, WON, AND CHANGED THE HOMEOWNERS INSURANCE INDUSTRY IN AMERICA.



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