

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF KENTUCKY

UNITED STATES OF AMERICA,)
)
Plaintiff,) CASE NO:
)
v.)
)
GUIDEONE MUTUAL INSURANCE CO,)
YOUNG INSURANCE AGENCY, INC.,)
and ROBERT AND CHARLOTTEA LEE,)
d/b/a LEE INSURANCE AGENCY, INC.)
)
Defendants.)
_____)

COMPLAINT

The United States of America alleges as follows:

NATURE OF ACTION

1. This action is brought by the United States of America to enforce the provisions of the Fair Housing Act, as amended, 42 U.S.C. § 3601, *et seq.* (“Fair Housing Act”). It is brought on behalf of Nicolas Valenzuela, Anthony J. Baize, and the Lexington Fair Housing Council, Inc. (“LFHC”) (collectively “Complainants”) pursuant to Section 812(o) of the Fair Housing Act, 42 U.S.C. § 3612(o), and pursuant to Section 814(a) of the Fair Housing Act, 42 U.S.C. § 3614(a).

JURISDICTION AND VENUE

2. This Court has jurisdiction over this action under 28 U.S.C. §§ 1331 and 1345 and 42 U.S.C. §§ 3612(o) and 3614.

3. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and 42 U.S.C. § 3612(o), because a substantial part of the events giving rise to this action occurred in

the Western District of Kentucky, and all Defendants reside and/or do business in the Western District of Kentucky.

PARTIES

4. Defendant GuideOne Mutual Insurance Co. ("GuideOne") is a for-profit insurance company incorporated in the State of Iowa, with its principal place of business at 1111 Ashworth Road, West Des Moines, Iowa, 50265. GuideOne is licensed to do business in all 50 states and the District of Columbia, and markets its products and services through a network of more than 1400 independent and career agents. GuideOne, directly or through its subsidiaries, affiliates, and agents sells homeowners and renters insurance throughout the United States, including the States of Kentucky and Indiana.

5. Defendant Young Insurance Agency ("Young Insurance") is an insurance business corporation incorporated in the State of Kentucky, with its principal place of business at 3832 Taylorsville Rd, Suite 1, Louisville, KY. Young Insurance is an independent seller of insurance policies licensed to sell insurance in the State of Kentucky, and is engaged in the sale of homeowners and renters insurance. From at least 2005 to the present, Young Insurance was an authorized agent of GuideOne, and offered for sale and did sell GuideOne homeowners and renters insurance policies.

6. Defendants Robert and Charolottea Lee, d/b/a Lee Insurance Agency ("the Lee Defendants") are independent sellers of insurance policies licensed to sell insurance in the State of Kentucky, and are engaged in the sale of homeowners and renters insurance in the State of Kentucky. The Lee Defendants have their principal place of business at Lee Insurance Agency, 1018 E. New Circle Rd., Suite 210, Lexington, KY 40505. From at least 2005 to the present, the

Lee Defendants and Lee Insurance Agency were authorized agents of GuideOne, and offered for sale and did sell GuideOne homeowners and renters insurance policies.

FACTUAL ALLEGATIONS

7. Nicolas Valenzuela, a resident of Louisville, Kentucky, rents his residence. Mr. Valenzuela is an agnostic.

8. Anthony J. Baize, a resident of Sellersburg, Indiana, owns his residence. Mr. Baize is an atheist.

9. Lexington Fair Housing Council ("LFHC") is a non-profit organization incorporated under the laws of the State of Kentucky with its principal place of business at 207 E. Reynolds Rd., Suite 130, Lexington, KY 40517. LFHC's mission is to eliminate housing discrimination and ensure equal opportunity in housing. As part of its fair housing enforcement efforts, LFHC conducts fair housing tests to determine whether entities covered by the Fair Housing Act are engaging in discrimination.

10. From at least 2005 to March, 2009, Defendant GuideOne offered a special endorsement to its personal homeowners and renters insurance policies under the trade name "FaithGuard." GuideOne's advertisements for the FaithGuard endorsement stated that the FaithGuard endorsement offered "special benefits and exclusive discounts" to churchgoers, at no additional charge to the policyholder. Examples of statements made in GuideOne's advertisements for the FaithGuard endorsement include, but are not limited to: "FaithGuard offers churchgoers . . . features at no additional charge;" "GuideOne's personal product lines include . . . FaithGuard homeowners coverage[], which offer[s] churchgoers enhanced protection for their activities, travel, and lifestyle."

11. The FaithGuard endorsement included such benefits as: waiving the insurance deductible if there is a loss to personal property while that personal property is in the care, custody, and control of the insured's church; paying church tithes or church donations up to \$750.00 if the insured suffers a loss of income from a disability caused by an accident that occurs at the insured's residence; and doubling medical limits for an injury if someone is injured while attending an activity hosted by the insured at the home of the insured if the activity is conducted on behalf of the insured's church.

12. The benefits of the FaithGuard endorsement were not available to policyholders who suffered a covered loss or disability while engaged in similar activities that were not related to a church or religious activity, or who were not churchgoers.

13. GuideOne offered the FaithGuard endorsement in at least 19 states, including Kentucky. GuideOne encouraged its authorized agents in these states, including the Lee Defendants and Young Insurance, to offer the FaithGuard endorsement to homeowners and renters policy applicants and policyholders. During the time period that the FaithGuard endorsement was available, thousands of GuideOne homeowners and renters insurance policy applicants and policyholders requested, were offered, and/or accepted the FaithGuard endorsement coverage.

14. GuideOne paid benefits to GuideOne policyholders for claims covered by the FaithGuard endorsement.

15. GuideOne's application for homeowners and renters insurance included a space for the applicant's "denomination." On the same page, the applicant was required to sign a statement certifying "that the information in this application is true and correct; and I am aware

that the information is material to the Company in determining whether they accept this application for life insurance.”

16. On or about July 2006, Mr. Valenzuela was interested in purchasing a renters insurance policy. Mr. Valenzuela viewed GuideOne’s website, including advertisements for GuideOne’s FaithGuard endorsement. Mr. Valenzuela read statements and advertisements on GuideOne’s website indicating that the FaithGuard endorsement offered additional insurance benefits to “churchgoers.” Mr. Valenzuela learned from GuideOne’s website that Defendant Young Insurance sold GuideOne renters insurance policies.

17. From at least 2005 to March, 2009, Defendant Young Insurance maintained an internet website in the name of Young Insurance as part of GuideOne’s internet website. Young Insurance’s web page advertised the FaithGuard endorsement for homeowners and renters insurance policies.

18. Young Insurance offered the FaithGuard endorsement to applicants for and policyholders of GuideOne homeowners and renters insurance policies.

19. On or about August, 2006, Valenzuela contacted Young Insurance, seeking information about GuideOne renters insurance policies. An insurance agent employed at Young Insurance provided Mr. Valenzuela with a quote for a renters insurance policy that included the FaithGuard endorsement.

20. Mr. Valenzuela decided not to purchase a GuideOne policy from Young Insurance because GuideOne’s and Young Insurance’s advertising and statements regarding the FaithGuard endorsement indicated a preference for religious persons in general, and Christians in particular. Mr. Valenzuela also decided not to purchase a GuideOne policy from Young Insurance because

the terms and conditions of the FaithGuard endorsement expressed a preference for religious persons in general, and Christians in particular. Mr. Valenzuela believed that he would not be eligible for any of the benefits of the FaithGuard endorsement because he is agnostic, not a churchgoer, not a Christian, and not a person of faith.

21. On or about July 2006, Mr. Baize, a homeowner in the State of Indiana, was interested in purchasing a homeowners insurance policy. Mr. Baize became aware of GuideOne's marketing and advertising of its homeowners insurance policies, including the FaithGuard endorsement. Mr. Baize read statements and advertisements on GuideOne's website which indicated that the FaithGuard endorsement offered additional insurance benefits to "churchgoers." Mr. Baize identified an insurance agent that offered GuideOne homeowners insurance policies. Mr. Baize contacted the insurance agent, who quoted Mr. Baize a price for a GuideOne homeowners insurance policy that included the FaithGuard endorsement.

22. Mr. Baize decided not to purchase a GuideOne homeowners insurance policy because GuideOne's advertising and statements regarding the FaithGuard endorsement indicated a preference for religious persons in general, and Christians in particular. Mr. Baize also decided not to purchase a GuideOne homeowners policy because the terms and conditions of the FaithGuard endorsement expressed a preference for religious persons in general, and Christians in particular. Mr. Baize believed that he would not be eligible for any of the benefits of the FaithGuard endorsement because he is an atheist, not a churchgoer, not a Christian, and not a person of faith.

23. On or about July 2006, LFHC became aware of GuideOne's marketing and advertising of its homeowners and renters insurance policies, including the FaithGuard

endorsement. Between July 2006 and October 2006, LFHC investigated GuideOne's homeowners and renters insurance policies and practices in the State of Kentucky. As part of this investigation, LFHC conducted tests using "testers" to determine whether GuideOne insurance agents offered the FaithGuard endorsement with GuideOne homeowners insurance policies. Testers are persons who, without the intent to purchase insurance, seek information about the availability of insurance to determine whether discriminatory practices are occurring.

24. From at least 2005 to March, 2009, the Lee Defendants maintained an internet website in the name of Lee Insurance Agency as part of GuideOne's internet website. The Lee Defendants' web page advertised the FaithGuard endorsement for homeowners and renters insurance policies.

25. LFHC testers called the Lee Insurance Agency, posing as prospective purchasers of homeowners insurance, and seeking to secure insurance for homes that they intended to purchase or already owned. These tests confirmed that the Lee Defendants offered the FaithGuard endorsement with GuideOne homeowners insurance policies.

26. In addition, during the tests conducted by LFHC, the Lee Defendants made oral statements to the testers about GuideOne insurance and the FaithGuard endorsement indicating a preference toward religious persons. For example, Robert Lee told a tester that the FaithGuard endorsement provided "discounts for church attendance and other religious attendance." Charolottea Lee told a second tester that FaithGuard provides benefits "if an individual goes to church or is Christian."

HUD Investigation and Charge of Discrimination

27. On or about December 21, 2006, Mr. Valenzuela filed a complaint with the Kentucky Commission on Human Rights against Defendants GuideOne and Young Insurance alleging discrimination on the basis of religion. On or about December 28, 2006, Mr. Valenzuela filed a complaint against GuideOne with the United States Department of Housing and Urban Development (“HUD”) making the same allegations.

28. On or about December 21, 2006, LFHC filed complaints against Defendant GuideOne and the Lee Defendants with the Kentucky Commission on Human Rights and HUD alleging discrimination on the basis of religion.

29. On or about January 16, 2007, the Kentucky Commission on Human Rights waived initial jurisdiction under the Kentucky Fair Housing Law to permit HUD to reactivate Mr. Valenzuela’s and LFHC’s complaints for investigation under the Fair Housing Act.

30. On or about February 9, 2007, Mr. Baize filed a complaint against Defendant GuideOne with HUD alleging discrimination on the basis of religion.

31. As required by the Fair Housing Act, 42 U.S.C. §§ 3610(a) and (b), the Secretary of HUD conducted an investigation of the complaints, attempted conciliation without success, and prepared final investigative reports. Based on the information gathered in this investigation, the Secretary, pursuant to 42 U.S.C. § 3610(g), determined that reasonable cause exists to believe that illegal discriminatory housing practices had occurred. Therefore, on or about February 17, 2009, the Secretary issued a Determination of Reasonable Cause and Charge of Discrimination pursuant to 42 U.S.C. § 3610(g), charging Defendants with discrimination on the basis of religion in violation of the Fair Housing Act.

32. On March 4, 2009, Mr. Valenzuela elected to have the claims asserted in HUD's Charge of Discrimination resolved in a federal civil action pursuant to 42 U.S.C. § 3612(a).

33. On March 4, 2009, the Chief Administrative Law Judge issued a Notice of Election of Judicial Determination, finding that Mr. Valenzuela had made a timely election to have the charges presented in federal court, and terminating the administrative proceeding on the HUD complaints filed by Mr. Valenzuela, Mr. Baize, and LFHC.

34. Following the Notice of Election, the Secretary of HUD authorized the Attorney General to commence a civil action, pursuant to 42 U.S.C. § 3612(o).

35. The United States re-alleges and herein incorporates by reference the allegations set forth in paragraphs 1-34, above.

36. By the conduct referred to in the foregoing paragraphs, Defendants have:

- (a) Discriminated against Complainants in the terms, conditions or privileges of the sale or rental of a dwelling because of religion, in violation of Section 804(b) of the Fair Housing Act, 42 U.S.C. § 3604(b); and
- (b) Discriminated against Complainants by making, printing, and publishing statements and advertisements with respect to the sale or rental of a dwelling that indicate a preference, limitation, or discrimination based on religion, or an intention to make any such preference, limitation, or discrimination, in violation of Section 804(c) of the Fair Housing Act, 42 U.S.C. § 3604(c).

37. Mr. Baize is an aggrieved person as defined in 42 U.S.C. § 3602(i), and has suffered damages as a result of GuideOne's discriminatory conduct.

38. Mr. Valenzuela is an aggrieved person as defined in 42 U.S.C. § 3602(i), and has suffered damages as a result of GuideOne's and Young Insurance's discriminatory conduct.

39. LFHC is an aggrieved person as defined in 42 U.S.C. § 3602(i), and has suffered damages as a result of GuideOne's and the Lee Defendants' discriminatory conduct.

40. Defendants' conduct described above constitutes:

- (a) a pattern or practice of resistance to the full enjoyment of rights granted by the Fair Housing Act; or
- (b) a denial to a group of persons of rights granted by the Fair Housing act, which raises an issue of general public importance.

41. In addition to Complainants, there may be other victims of Defendants' discriminatory conduct who are "aggrieved persons" as defined in 42 U.S.C. § 3602(i). These persons may have suffered actual injury and damages as a result of Defendants' discriminatory conduct.

42. Defendants' conduct was intentional, willful, and taken in disregard for the rights of others.

WHEREFORE, the United States prays that the court enter an ORDER that:

1. Declares that Defendants' conduct as alleged herein violates the Fair Housing Act;
2. Declares that Defendants have engaged in a pattern or practice of discrimination in violation of the Fair Housing Act;
3. Enjoins Defendants, their officers, employees, agents, successors and all other person in active concert or participation with any of them, from discriminating on the basis of

religion in violation of the Fair Housing Act;

4. Awards monetary damages, pursuant to 42 U.S.C. § 3612(o)(3), and § 3614(d)(1)(B) to all persons harmed by Defendants' discriminatory conduct; and

5. Assesses a civil penalty against Defendants in an amount authorized by 42 U.S.C. § 3614(d)(1)(C) and 28 C.F.R. § 85.3(b)(3) to vindicate the public interest.

The United States further prays for such additional relief as the interests of justice may require.


Dated: September 18, 2009

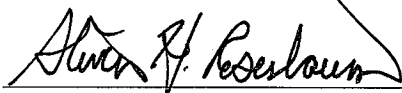
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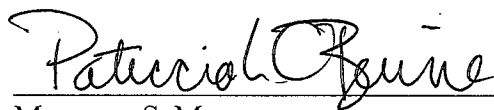
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