



## Employment Practices Liability Insurance

### **7 Reasons to Consider EPLI Coverage for Your Business**

We have all been privy to the news of large class action lawsuits relating to unfair wages or unequal treatment of employees in the workplace. While it is typically the large corporations with thousands of employees who tend to have an exposure to class actions, almost every employer has exposure to Employment Practices Liability (EPLI). In this month's newsletter, we look at [seven key reasons](#) why your company should consider EPLI Coverage.

To start with, it is helpful to understand the scope of the risk. The following list is a sampling of the types of claims that can be covered by an EPLI policy.

- Sexual harassment
- Discrimination
- Failure to promote
- Hostile work environment
- Violations of wage and hour law
- Breach of employment contract
- Failure to employ
- Wrongful demotion or discipline
- FMLA violations

#### REASON 1: Defense Costs

*"Innocent until proven guilty!"* is a favorite catch-phrase here in the United States of America. When it comes to litigation, however, it is not always cheap or easy to pay for defense against an allegation -- even if one is innocent. For businesses, which can be seen as having "deep pockets", the best risk management and HR practices may not ward off an allegation of wrongdoing. A suit may be frivolous, but must still be defended. According to Frankenmuth Insurance, typical defense costs for even a frivolous suit can start at \$45,000.

#### REASON 2: Lack of Human Resources expertise within the company

Businesses that do not have an HR department/ employee can sometimes be even more at risk because of possible inconsistencies with hiring, firing, etc. The difference in treatment of one employee over another could give reason for one to pursue legal action against their employer.

#### REASON 3: That one "Bad Apple"

One rogue employee in a supervisory position can cause problems for a business and, as mentioned above, EPLI exposure comes in various forms. The last thing any business owner wants is to be faced with claims of a hostile work environment or sexual harassment by a manager.



#### REASON 4: Ease of filing EEOC charges

The EEOC tracks the number of charges filed each year. The statistics show that claims against employers are on the rise. The process to file a claim with the EEOC is fairly simple for employees and the EEOC is obligated to accept most any charge, whether it is well supported or not.

#### REASON 5: Leased employees can bring charges

*"I hire temp workers through an employment agency. I'm off the hook, right?"* The answer is an emphatic *"No."* Leased employees are allowed to sue both the leasing company and the temporary employer.

#### REASON 6: Your General Liability policy does not cover employment related practices liability

EPLI and General Liability are not the same. General Liability covers property damage and bodily injury to your customers or an affected third party, not employees. EPLI is not covered on a standard CGL policy. While there can be small limits or extensions of coverage on some policies, most CGL policies specifically exclude Employment Related Practices claims.

#### REASON 7: Third-Party Discrimination or Harassment claims

Discrimination or harassment claims can come from outside parties, not just employees. Third Party Coverage can be available as an extension of coverage and is offered by a number of insurance companies. This coverage extension can be an important add-on for retailers, restaurant owners, or any business that engages regularly with the public.

**Conclusion:** While solid hiring practices, regular education of employees and a good culture within a company all go a long way towards mitigating EPL claims, we feel it is increasingly important to also maintain this insurance coverage. KorthaseFlinn represents a large portfolio of insurance carriers who write this coverage and we would be happy to provide further information upon request. You can contact any of our Business Insurance Advisors at 231-348-8121 to learn more about this important coverage.