

What is Employment Practices Liability Insurance (EPLI)?



EMPLOYMENT PRACTICES LIABILITY INSURANCE

EPLI covers businesses against claims by workers that their legal rights as employees of the company have been violated.

EPLI protects businesses against claims brought by employees, governmental bodies or anyone who interacts with your company that feels their legal rights regarding discrimination, harassment, wrongful termination or retaliation have been violated.

The number of lawsuits filed in this area is on the rise. Three out of five former employees sue and you are more likely to have an EPLI claim than a General Liability claim. In addition, there is an ever increasing focus on protecting employees as well as consumers regarding their legal rights. No company is immune to such lawsuits. Recognizing these claims can often be extremely costly to defend, the need to transfer risk to an insurance policy is greater than ever. Some insurers provide this coverage as an endorsement to their Businessowners Policy (BOP) but often do not cover the total cost of an EPLI claim. Other companies offer EPLI as a stand-alone coverage and include cost saving and free HR consulting services to help navigate these highly sensitive situations

EPLI guards against claims of:

- Sexual harassment
- Discrimination
- Wrongful termination
- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity
- Wrongful infliction of emotional distress
- Wage & hour violations (in most states)

To obtain information about EPLI, contact Member Insurance at 855.MIA.TOOL or marketing@memberinsurance.com.

The cost of EPLI coverage depends on your type of business, the number of employees you have and various risk factors such as whether your company has been sued over employment practices in the past. The policies provide defense expense as well as judgments and settlements as defined by the policy. The legal costs are included whether your company wins or loses. Policies may also include punitive damages where insurable depending on your jurisdiction as well as a sub-limit for failing to pay proper overtime wages. Typically, other insurance policies do not address EPLI exposures and specifically exclude them from the policy.

To prevent EPLI claims, educate your managers and employees so that you minimize problems in the first place:

- Use the risk management tools provided with the purchase of an EPLI policy.
- Create effective hiring and screening programs to avoid discrimination in hiring.
- Post corporate policies throughout the workplace and place them in employee handbooks so policies are clear to everyone.
- Show employees what steps to take if they are the object of sexual harassment or discrimination by anyone while working on behalf of your organization. Make sure everyone in your company knows what behaviors are not permissible as well as the laws that govern employment.
- Make sure your team is diligent with their documentation regarding preventing and solving employee disputes, employment decisions, as well as any inquiry or complaint from anyone outside of your company.

Source: USLI

Employment Practices Myths!

Can you afford to self-insure?

The average cost of defending an Employment Practices claim is **\$150,000!**



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Myth #1

The exposure is no higher today than it was in the past.

- Did you know ... An employer is more likely to have an EPL Claim than a General Liability or Property Loss?
- Almost 75% of all litigation against corporations today involves employment disputes.
- Over 40% of EPL claims are brought against private employers with under 100 employees.

Myth #2

Your business is already protected under other insurance policies.

- Other insurance policies typically exclude Employment Practices Liability.

Myth #3

Internal Risk Management is adequate to protect my business.

- 73.5% of corporate counsel said their company had been a defendant in employment-related litigation over the last three years. More than half of those (52.6%) said they had faced discrimination complaints, with wage and hour complaints being the second most frequent at 27%.
- Employment Practices Liability claims represent 30% of all civil litigation in the United States today.
- HR Consulting services offered with an insurance policy can mitigate costly litigation as well as time spent dealing with employment issues but may not eliminate someone feeling they were wronged.

Myth #4

Internal Risk Management is adequate to protect my business.

- It won't happen to me. I'm good to my people.
- Many EPL claims have no merit but the costs associated with defending and proving no wrong doing is consistently on the rise.
- Fair Labor Standards Act violations for misclassification of employees, alleged uncompensated work performed of the clock or miscalculation of overtime pay have increased significantly and have record number of violations being reported.
- Department of Labor collected a record \$224 million in back wages and "has stepped up its efforts and pursues litigation when it cannot settle out of court."

Source: USLI