

# What you need to know about employment practices liability insurance

Employment practices concerns make headlines daily. They are the focus of popular novels and movies, and they are among the most popular topics discussed around the office coffee pot. Liability your business faces could result from wrongful termination; discrimination in hiring practices, including age, sex and race; sexual harassment; and not following the requirements set forth in the Family and Medical Leave Act and the Americans with Disabilities Act.

## Why has employment practices liability become such an issue?

The first major piece of federal legislation prohibiting employment discrimination was expanded in 1991 to grant employees the right to a jury trial and permit the recovery of compensatory and punitive damages. From 1994 to 2002, the number of charges filed with the Equal Employment Opportunities Commission against employers decreased from 91,189 to 84,442. The monetary benefits that claimants received increased from \$46.1 million in 1994 to more than \$257.7 million in 2002. Employees are being awarded payments for back wages, compensatory damages and medical expenses.

Standard business policies and commercial general liability coverage provide little or



no protection against employment practices claims. And, coverage for such claims has been omitted from the employers section of workers' compensation forms. However, there is help available—employment practices liability insurance.

## How likely am I to be sued by an employee, and what can it cost me?

Discrimination suits are becoming so commonplace that courts nationwide can barely keep up. Settlements and award costs are skyrocketing. An unintentional violation of the laws could place your company in financial jeopardy.

Even if you do everything by the book, there is a chance you still may be sued. According to Jury Verdict Research Inc., the median verdict for compensatory damages in 2000 was roughly \$218,000. Whether the jury sides

with you or not, your legal costs could be staggering. Typical defense costs average \$100,000 to \$200,000 per case.

## What does EPLI cover?

Following good personnel practices alone doesn't insulate you from a liability. Employers must defend against even groundless allegations, and that has proved to be very expensive.

EPLI offers protection against the crippling costs of wrongful termination, discrimination and sexual harassment suits. It provides defense for the company and the employees named as defendants in a lawsuit. It may include a wide range of monetary damages, including loss of wages and benefits. Most policies cover the cost of investigating, defending and settling claims.

Call our agency to discuss your company's need for employment practices liability insurance.



**Your Professional Insurance Agent ...  
We want you to know about the insurance you're buying.**