



# Inside Insurance

*Commercial Corner*

## Employee Practices Liability

**Q:** *Who is protected under Employee Practices Liability Insurance (EPLI)?*

**A:** *Employee Practices Liability Insurance (EPLI) shields employers, directors, officers and the corporate entity from allegations of a variety of wrongful employment acts alleged by any current, former and prospective employees.*

What 30 years ago was an amiable relationship between employers and employees has progressed to one of an almost adversarial relationship. Employee Practices Liability Insurance (EPLI) was developed to provide protection to employers for their alleged actions. The number of lawsuits filed by employees against their employers has been rising. While most suits are filed against large corporations, no company is immune to such lawsuits. Smaller companies now need this kind of protection. In the past few years, employers have become more aware that they are legally responsible for their employees' actions. Between 1992 and 1996, for example, the number of civil-rights cases filed in federal court more than doubled from 10,771 to 23,152. This, combined with the growing number of employment-related liability lawsuits, has driven the increased demand for EPLI.

EPLI shields employers, directors, officers and the corporate entity from allegations of a variety of wrongful employment acts alleged by any current, former and prospective employees.

EPLI provides protection against many kinds of employee lawsuits, including claims of:

- Sexual harassment
- Discrimination
- Wrongful termination
- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity
- Mismanagement of employee benefit plans
- Wrongful infliction of emotional distress

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 will reimburse your company against the costs of defending a lawsuit in court and for judgments and settlements. The policy covers legal costs, whether your company wins or loses the suit. Policies also typically do not pay for punitive damages or civil or criminal fines. Liabilities covered by other insurance policies such as workers' compensation are excluded from EPLI policies.

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

- 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 a supervisor.
- Make sure supervisors know where the company stands on what behaviors are not permissible.
- Document everything that occurs and the steps your company is taking to prevent and solve employee disputes.

### Also in this issue:

- Outsourcing Payroll Duties
- Moving Expenses

