Risky Business: Why You Need Employment Practices Liability Insurance

Running a company can be a risky business. According to the Department of Labor, the amount workers received from employers due to discrimination claims rose nearly 78% between 2001 and 2006. A total of more than $51 million dollars was awarded to employees who pursued claims in federal court.

You may have seen news stories about huge jury awards in workplace discrimination claims. It happens every day, and every business is vulnerable. Here are just a few examples:

- Thirteen current or former computer company employees claimed employment discrimination on the basis of race and national origin. Employees claimed they were treated unequally and subjected to a hostile work environment. Amount of settlement: $635,000 (salary increases, enhanced promotional activities).

- Eight employees filed a class action suit alleging sex discrimination by their employer in the handling of wages, promotions, pregnancy leaves and other conditions of employment. Amount of settlement: $600,000 (plus $5 million in legal fees).

- A senior regional attorney sued a securities dealer claiming age discrimination and retaliation. He claimed he was unfairly terminated for advice he gave to a co-worker regarding his employment rights. Amount of verdict: $443,000.

All businesses are at risk from issues related to employment practices. It can come up during hiring situations if you don't hire someone who then assumes you were discriminating. It can happen if you terminate an employee who then decides he or she was treated unfairly. Employment-related lawsuits are filed every single day, and up to half of all businesses will face a lawsuit at some point. Is your business prepared?

How can you protect your business?

As an employer, you do everything you can to treat your employees fairly. However, you can be held liable for the actions of your other employees or even vendors and customers. And with new employment-related regulations being added to the books frequently, it can be difficult to understand exactly what you are expected to do.

It's important to make sure you remain in compliance with laws governing treatment of employees. But there's an added layer of protection you can obtain: employment practices liability insurance, or EPLI.

What EPLI covers

Employment practices liability insurance can protect your business against claims made by potential hires, employees currently on your payroll and terminated employees. With a good EPLI policy, your company is protected against claims of:

- Wrongful termination

- Employment-related emotional distress and invasion of privacy

- Defamation

- Retaliatory/constructive discharge

- Sexual harassment and discrimination
Workplace torts such as slander

EPLI coverage generally includes the cost to defend against the charges plus any damages you are ordered to pay. Depending on your business needs, it might make sense to purchase EPLI coverage as part of your company officers' liability insurance since company officials can be named in lawsuits against the business.

Learn more about EPLI

Your business insurance agent can answer your questions about EPLI and recommend the coverage that is right for you. Your agent can also discuss how employment-related lawsuits can affect your business by assessing the risk typically associated with your industry.

Remember, employment-related claims can affect businesses of all types. Even if you are just starting out, you could be the subject of a discrimination suit if someone you interview but fail to hire feels that he or she was treated unfairly. And even if you do everything right and comply with all federal, state and local regulations, you can still be held liable for the actions of your employees, vendors or customers. EPLI can provide much-needed protection - and welcome peace of mind.