

LEGAL MINUTE

EMPLOYMENT PRACTICES LIABILITY INSURANCE

What is EPLI Coverage?

EPL insurance policies are designed to provide liability insurance coverage in response to claims brought by or on behalf of employees of a company against the company or any of its officers, managers, employees, and sometimes others for actual or alleged employment-related wrongdoing. For instance, claims brought by former employees of a company for discrimination or wrongful termination would fall within the scope of coverage of a typical EPL policy.

Why should your business have it?

Most general commercial or business liability insurance policies do not automatically include coverage for employment-related practices claims, such as:

- Discrimination
- Retaliation
- Wrongful Discharge
- Harassment
- Unreasonable Refusal to Rehire (URR) after a Worker's Compensation Claim

Without EPLI, a business will be required to pay its legal costs and fees 100% out of pocket to defend these types of claims, even if they are not valid. Additionally, they will be liable for any judgment or settlement arising from the claim.

EPLI coverage is relatively inexpensive, particularly compared to the expense of defending even one claim. The amount of coverage an organization can purchase varies widely, from $25,000 to $1M. Various deductibles may apply. For example, if the policy contains a $10,000 deductible, the insurance company will retain an attorney to defend your organization, but your organization will be required to cover the first $10,000 in legal costs and fees, with the insurance covering certain amounts thereafter.

What should I do next?

Ask the person in your organization who handles insurance for the business to confirm whether or not you have EPLI coverage. If that is you, reach out to your organization's insurance company or agent to determine if you have EPLI coverage. If not, request quotes for this coverage. If so, request a full explanation regarding the total amount of coverage and whether any deductibles or other terms apply.

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