



# Employment Practices Liability

## Overview of Employment Practices Coverage for Small Businesses

Small business owners are vulnerable to employment practices claims brought by employees, leased employees, independent contractors and applicants for employment.

**Employment Practices Liability (EPL)** coverage provides employers protection against claims alleging wrongful employment practices, such as: discrimination, wrongful termination and harassment. These wrongful employment acts are governed by federal, state and local laws. Coverage provides for both settlements and defense costs within the limit.

### Coverage Highlights, Terms and Conditions

**Insuring Agreement:** Losses arising out of an insured's alleged wrongful employment acts against employees, recognized volunteers and applicants for employment.

**Settlement costs:** Money the insured is legally obligated to pay

**Defense costs:** Reasonable and necessary fees, costs and expenses resulting solely from the investigation, adjustment, defense and appeal of a claim or suit against the insured

**Punitive or exemplary damages** where permitted by law

**Duty to Defend Basis:** Right and duty to defend and appoint an attorney to defend any claim or suit brought against any insured for a wrongful employment act or third party violation to which this insurance applies, even if the claim or suit is groundless

*\*Consideration given to insured's request for attorney of choice*

**Prior Acts Coverage:** Coverage for wrongful employment acts that commence or take place after the retroactive date but before the end of the policy period

**Claims Made and Reported/Remove for NY:** Coverage applies for claims first made against the insured during the coverage period and reported pursuant to the terms of the policy

**Third Party Coverage:** Coverage provides employers protection against claims alleging discrimination or sexual harassment alleged by the insured's clients, customers, tenants or vendors. Available for an additional premium

**Supplemental Extended Reporting Period (SERP):** Provides the insured the option to purchase an extended reporting period following cancellation or non-renewal to give notice of claims made during the SERP for wrongful employment acts occurring during the coverage period

**Automatic Extended Reporting Period:** Provides the insured with protection for a period of sixty days after the effective date of cancellation or non renewal, at no additional premium, to give notice of claims

**ADA Website Accessibility Coverage:** Coverage for violations of Title III of the Americans with Disabilities Act

**Worldwide Coverage:** Covers wrongful employment acts that occur anywhere in the world, as long as claims are made in the U.S., its territories and possessions, Puerto Rico and Canada

### Limits, Sublimits and Deductible

Limits and deductibles can be found in the policy. Additional sublimit options may be available. Contact a representative for more information.





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## Claim Scenarios

**Employment Practices Liability** coverage protects clients from these exposures, no matter the class of business. A charge can be brought by applicants, employees, and even customers alleging discrimination, harassment, wrongful termination or other wrongful employment acts.

### **Discrimination: Age**

A mid-sized insurance agency terminated an administrative assistant for ongoing poor job performance. The agency attempted to work with the employee to improve performance issues; however, the employee continued to make serious errors. After terminating the employee, the firm was surprised to find that the employee filed a claim alleging age discrimination. The agency had proper documentation indicating repeated poor job performance that assisted in the defense and settlement.

**Settlement: \$15,000 & Defense Expense: \$8,000**

### **Retaliation**

A construction company was sued by an employee who was terminated after the company learned that he had cancer. The employee alleged retaliation and disability discrimination for his condition in violation of the Americans with Disability Act (ADA).

**Settlement: \$100,000 & Defense Expense: \$45,500**

### **Discrimination: Gender**

A small gift and flower shop owner was sued by an employee for pregnancy discrimination and wrongful termination. The employee alleged that the shop owner had repeatedly treated her differently as a result of her gender and condition. Several fellow employees attested to the treatment by the employer during the investigation.

**Settlement: \$30,000 & Defense Expense: \$12,000**

### **Wrongful Termination**

An insurance agency filed suit against a former employee who resigned and attempted to take clients from the business. They received a counter claim from the former employee alleging wrongful termination and retaliation. The counter claim was dismissed in Summary Judgement.

**Settlement: \$1,000 & Defense Expense: \$105,576**

### **Discrimination: Race**

A small business beauty salon owner placed a help wanted ad in a local newspaper for a full-time stylist position. The response to the ad was positive, with many highly qualified candidates responding. The salon owner decided to interview five candidates for the position and hired the candidate with the most experience. An African-American applicant was interviewed, but was not selected. She alleged race discrimination in the hiring practices of the beauty salon even though her qualifications and experience did not match those of the chosen candidate.

**Settlement: \$1,000 & Defense Expense: \$5,000**

### **Harassment: Sexual**

A female employee at a manufacturing company alleged that she, as well as other female employees, had been routinely subjected to sexually inappropriate comments by their supervisor. When questioned, the supervisors admitted engaging in playful banter with female employees, but denied any sexual harassment.

**Settlement: \$40,000 & Defense Expense: \$12,000**

### **Third Party Discrimination: National Origin**

A restaurant was sued by a customer who alleged that he was refused service because of his national origin. The restaurant claimed that the customer came in after closing, while seated customers were finishing their meals.

**Settlement: \$2,000 & Defense Expense: \$25,000**

