Risky Business: The Ins and Outs of Employment Practices Liability
June 29, 2016

The number of workplace lawsuits filed by employees continues to climb. According to the 2015 Hiscox Guide to Employee Lawsuits, “For 2014, US companies had at least an 11.7% chance of having an employment charge filed against them.” No company, large or small, is immune to these types of lawsuits, and more than ever before Employment Practices Liability Insurance (EPLI) is no longer optional coverage.

EPLI covers companies for loss (damage and defense costs) arising from a wide range of exposures such as:

- Discrimination based on gender, race, national origin, religion, disability or sexual orientation
- Sexual harassment or other unlawful harassment
- Wrongful termination or retaliation
- Negligent evaluation or wrongful discipline of an employee

Example Claim Scenario
An employee requests an accommodation for their disability. Two weeks into their employment, they are terminated for their poor performance. The employee then files a charge with the Equal Employment Opportunity Commission (EEOC). Both parties are unable to resolve the Charge of Discrimination Claim with the EEOC and the former employee files a lawsuit in federal court.

In this scenario, an EPLI policy can help cover the costs associate with both settling the claim and the cost to defend it.

Best Practices and Prevention
Hiring procedures should be strictly followed as mandated by both state and federal requirements. This includes processes for background checks, applications and interviews. For businesses operating in multiple states, state-level policies must be researched and implemented.

Employment policies developed by your onsite or hired human resources team should be maintained. This includes the creation of a handbook that includes anti-discrimination, equal opportunity employment statement and a disclaimer that the handbook does not constitute a contract or a contractual commitment of employment.

Harassment training conducted by your HR department can be a defense to liability. This should include harassment based on sex, race, color, disability, religion or nationality.
Work environment and appropriate behavior should be emphasized by management and HR. Creating an environment that encourages employees to act within company expectations as well as empowers them to feel free to raise concerns as they experience them.

All HR professionals should be educated on any new state or federal employment law changes.

For more information on Avalon’s Employment Practices Liability, please contact or local Avalon office or email marketing @avalonrisk.com.