

**EPLI Insurance:
Don't go without.**

Employment Practices Liability Insurance (EPLI) insures businesses against claims by workers who feel their legal rights as employees of the company have been violated. This includes claims of sexual harassment, discrimination, wrongful termination, breach of employment contract, negligent evaluation, failure to employ or promote, wrongful discipline, deprivation of career opportunity, wrongful infliction of emotional distress or mismanagement of employee benefit plans.

What will it cost?

Business owners should not feel immune to this type of legality from their employees (regardless of how well they feel they know them), as claims continue to be on the rise. Legal fees, settlements and awards are costly. The average cost a company incurs to defend themselves is \$125,000, according to Pamela Ritz, president of Specialty Risk Management (Austin, TX). The average jury award is \$200,000, with employees winning two of every three cases that make it to trial. Small and large businesses alike need to be protected from these suits.

In comparison, EPLI insurance is affordable. The cost of coverage depends largely on the type of business, number of employees and other risk factors (such as the number of times the company has been sued by past employees). The policy reimburses the company for the cost of defending a lawsuit in court and for judgments and settlements, for cases won or lost.

What should I look for in a policy?

Choose an established carrier; inquire about their experience and financial strength. An inexpensive premium is a mute point if the carrier folds.

Ensure the policy covers discrimination, sexual harassment, retaliation and other intentional acts. It's also wise to include breach of employment contracts, written demands and EEOC charges. Find a policy that allows the company to choose its own lawyer and settle when they choose.

Companies that co-employ with a professional employer organization (PEO) should expect this type of coverage with their human resource services.

How can I be proactive in preventing the litigation?

Successful human resource professionals can substantially contribute to the bottom line by taking action to prevent employment litigation.

- Construct effective hiring and screening programs to avoid discrimination in hiring.
- Create employee handbooks and personnel policies. Abide by them.
- Enforce non-competition and non-solicitation covenants under state law.
- Comply with federal and state wage and hour laws.
- Observe workplace safety laws and regulations.

- Conduct management training, including training on harassment prevention, hostile workplace issues, handling EEO cases, dealing with problem employees and conducting performance reviews.
- Generate employment agreements, executive compensation, stock options, severance agreements and reductions.

Companies that co-employ with a PEO should mandate discussions with this service provider on regular ways to reduce the likelihood of this type of litigation.

For more information, contact Tandem HR at 630.928.0510 or visit www.tandemhr.com. The staff at Tandem HR contributed to this article. It is intended as information only and is not a substitute for legal advice. Tandem HR is a professional employer organization specializing in strategic HR partnership with small and mid-sized businesses.

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