



COVERAGE INSIGHTS

Provided by SCS Agency Inc

The Value of Employment Practices Liability Insurance

In today's increasingly litigious society, stakeholders are holding organizations more accountable for their poor decisions and wrongdoings, whether actual or alleged. When these incidents involve certain employment actions or contribute to a hostile work environment, they may result in costly lawsuits, ultimately leaving impacted organizations with significant legal expenses.

Fortunately, that's where employment practices liability (EPL) insurance can help. This type of coverage can help reimburse organizations for losses stemming from allegations of harmful employment practices and associated litigation. Such coverage is essential for organizations of all sizes and sectors, as even one employment-related lawsuit could lead to considerable financial and reputational losses.

Specific EPL insurance offerings differ between carriers. Furthermore, organizations' coverage needs may vary based on their particular exposures. In any case, EPL insurance typically falls into two distinct categories: first-party coverage and third-party coverage. Organizations should have a clear understanding of both categories of coverage to comprehend the key protections offered by their EPL insurance. This article highlights the value of EPL insurance by outlining common first- and third-party coverage offerings.

First-party EPL Insurance

The primary insuring agreement in standard EPL policies pertains to first-party coverage. This coverage can offer financial protection for losses arising from an organization's existing, previous or prospective employees claiming that their employer acted in a way that violated their civil rights. In other words, first-party EPL coverage can help reimburse

organizations for losses resulting from a range of employment-related allegations, including the following:

- Discrimination and harassment
- Wrongful termination, discipline or infliction of emotional distress
- Failure to employ or promote
- Negligent evaluation
- Deprivation of career opportunities
- Mismanagement of benefits plans
- Breach of employment contract
- Retaliation

When such allegations occur, first-party EPL coverage can help pay for the various legal expenses that organizations may face amid associated lawsuits. These expenses include defense costs and any damages or settlements awarded to claimants. In some cases, this coverage may also offer compensation for regulatory actions filed against organizations by the U.S. Equal Employment Opportunity Commission.

Third-party EPL Insurance

Unlike first-party coverage, third-party coverage refers to a separate insuring agreement that organizations can add to their standard EPL policies. Such coverage usually comes with its own policy limit and extends the financial protection provided by first-party coverage. Specifically, third-party coverage can respond to losses stemming from an organization being held liable for harassment or discrimination incidents involving third parties.



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Third-party EPL coverage may apply in the following instances:

- **Harassment by third parties**—This coverage can help pay for losses resulting from an employee alleging that a third party, such as a delivery person, harassed them on the job and their employer failed to properly address the situation, thus contributing to a hostile work environment.
- **Employee misconduct**—This coverage may help reimburse losses arising from nonemployees (e.g., customers or vendors) alleging that an organization's employees or contractors harassed or discriminated against them on-site, such as a restaurant worker refusing to serve a patron with a disability.

When these incidents and related lawsuits occur, third-party EPL coverage can assist with the same legal expenses as first-party EPL coverage. By purchasing third-party coverage, organizations can maintain protection for a wider range of liability exposures, allowing them to better safeguard their finances and reputation.

It's also worth noting that other traditional liability policies, such as general liability insurance, often exclude coverage for losses stemming from incidents related to third-party harassment or discrimination. As such, organizations without third-party EPL coverage are more likely to face substantial out-of-pocket costs following these incidents.

Conclusion

Organizations don't have to navigate the current litigious landscape alone; EPL insurance can make all the difference in helping them avoid large-scale financial losses amid employment-related lawsuits. Organizations should consult trusted insurance professionals to discuss their particular coverage needs.

Contact us today for more insurance solutions.