

# 10 REASONS WHY YOU NEED EMPLOYMENT PRACTICE LIABILITY INSURANCE



## 1. Escalation in Equal Employment Opportunity Commission (EEOC) and state charges

*In 2022, there was a considerable increase in charges filed with the EEOC, totaling 73,485 – a 16% increase from the previous year. Small businesses are more likely to have an EPLI claim than a general liability or property loss and require EPLI coverage to protect themselves from potentially significant financial losses. An aggressive plaintiff's bar, aging workforce and increasing employee awareness of their rights, mean the risk of employment lawsuits is expected to continue to grow in the years to come.*

## 2. Costly legal battles and settlements

*The financial impact of defending against employment lawsuits and potential settlements is significant; businesses can expect to spend upwards of \$75,000 on defense costs, even for frivolous claims. Lawsuits with merit and ones that go to trial are even more severe. The average cost of out-of-court settlements for employee lawsuits has been trending to record levels. Businesses located in employee-friendly legal jurisdictions like California, New York, New Jersey and Washington face even more significant costs to defend and settle employment claims.*

## 3. ADA website discrimination claims

*In 2023, the Americans With Disabilities Act of 1990 (ADA) website accessibility lawsuit landscape revealed a staggering 4,605 lawsuits filed, with a notable 60% increase in suits against websites using accessibility overlays. These overlays, often used as quick fixes for ADA compliance, contributed to 30% of all lawsuits. 73% of these lawsuits targeted small businesses with under \$25 million in revenue. This surge in litigation, particularly driven by only a handful of plaintiff firms, highlights the critical need for small businesses to emphasize the importance of true website accessibility compliance.*

## 4. Navigating regulatory complexity

*Navigating the regulatory complexities of employment laws at federal, state and local levels is a significant challenge for small businesses. With the intricate web of statutes and common laws governing various aspects of employment, such as discrimination, harassment and wrongful termination, businesses face a heightened risk of legal disputes. EPLI coverage becomes indispensable in managing these legal intricacies, offering protection against potential litigation and financial strain. Discrimination lawsuits can lead to substantial settlements, with the average cost of defending such claims often reaching hundreds of thousands of dollars.*

## 5. Rise in retaliation claims

*The rise in retaliation claims has become a significant aspect of employment litigation, making EPLI coverage crucial. In 2023, the U.S. Equal Employment Opportunity Commission (EEOC) filed 143 new employment discrimination lawsuits, showing a more than 50% increase from the previous year. These statistics reflect a broader trend of increasing retaliation and discrimination cases, underscoring the need for small businesses to have robust protection through EPLI coverage. Exclusions can often limit coverage, but USLI's EPLI policy includes retaliation carve-backs on most exclusions. This means that claims related to retaliation, a significant concern in employment practices, are specifically addressed, ensuring comprehensive protection.*

## 6. Wage and hour violations

*Wage and hour claims have continued to be one of the most significant employment law risks. The overall incidences of wage and hour federal court filings have exploded by 450% in the past 15 years. When coverage is available in the marketplace for wage and hour claims, it is typically restricted to defense costs only, requiring the business to reach into their own pockets to settle any outstanding backpay owed to an employee. Oftentimes, this is as much as 80% of the actual claim's value. USLI offers a broad \$100,000 defense and indemnity sublimit for violations of the Fair Labor Standards Act (FLSA) and similar state/local laws.*



## 7. Addressing discrimination claims in the social justice era

*The social justice movement has sparked heightened awareness of workplace discrimination based on race, gender, age and other protected characteristics. Sophisticated insurance professionals understand the reputational damage, expensive legal battles and significant monetary awards associated with discrimination claims. EPLI coverage provides essential protection, enabling businesses to navigate these challenges while maintaining financial stability.*

## 8. Comprehensive protection against sexual harassment claims

*In the wake of the #MeToo movement, the heightened awareness and increasing reports of sexual harassment in the workplace have underscored the importance of EPLI for businesses. Insurance professionals recognize the critical need for extensive coverage that addresses claims related to inappropriate conduct, unwelcome advances and hostile work environments. EPLI policies offer vital protection, covering not only defense costs but also potential settlements and judgments. Through USLI, policyholders have access to PeopleSystems' website and hotline and Traliant courses that can assist businesses in implementing preventive measures and training programs to educate employees about sexual harassment.*

## 9. Defense costs outside the limit of liability coverage

*USLI's EPLI policy provides an extraordinary level of defense cost coverage necessary for today's employment environment. Our policy includes defense costs outside the limit of liability, which means that covered legal expenses don't erode the limits of your coverage, preserving the full policy amount for settlements or judgments. Businesses with fewer than 200 employees that purchase a \$500,000 limit or higher are eligible defense protection outside the policy limits. This approach ensures businesses receive comprehensive coverage without any compromise on the quality of defense cost coverage.*

## 10. Comprehensive Duty to Defend coverage

*EPLI policies featuring a duty to defend clause provide legal protection against a variety of employment-related claims, helping defend businesses from the ever-evolving employment law landscape. Panel counsel representation is invaluable for businesses, especially smaller ones with limited access to legal resources. Duty to Defend in EPLI not only covers legal expenses but also ensures cases are handled by skilled legal experts, enhancing the chances of a positive legal outcome. Moreover, it allows business owners to concentrate on their core operations, alleviating the burden and stress of complex legal proceedings. The insurer's active role in the defense process often leads to quicker and more efficient claim resolutions.*

*Source: Maynard Nexsen, Accessibility.works, BakerHostetler*



**Access free and discounted human resource services, online sexual harassment trainings and other tools on our Business Resource Center.**



[bizresourcecenter.com](http://bizresourcecenter.com)