

Employment Practices Liability

Quick Reference Guide: *Internal Use Only*



Desktop Access:

<https://www.brainshark.com/hsb/vu?pi=zHkz159Pa9zpJeoZ0>

What is EPL?

Employment Practices Liability coverage protects small businesses from employment-related claims brought by employees, independent contractors, leased employees and even applicants for employment who are alleging discrimination, harassment (including sexual harassment), wrongful termination as well as other employment-related wrongful acts.

Coverage also protects the insured against charges of discrimination or sexual harassment brought by customers, clients or vendors against the business.

Why do businesses need this coverage?

- Small businesses may lack in-house resources like human resource departments or legal teams
- All businesses make employment decisions including hiring, compensating, and terminating, that can expose them to claims of wrongful employment practices.
- Some cases may be groundless; however, these cases still require defense. Simply defending and EPL claim can be a financial hardship for employers that do not have EPL coverage.
- Employment laws are continuously changing on the federal, state and local levels. It's important for employers to stay current on these laws.

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What coverages are included?

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| Insuring Agreement: | Covers settlement and defense costs arising out of an insured's wrongful employment act against employees, recognized volunteers and applicants for employment |
| Duty to Defend: | Right and duty to defend as well as appointing an attorney to defend any claim or suit brought against an insured, even if the claim or suit is groundless |
| Third Party Violations: | Provides coverage for discrimination or sexual harassment claims made against an insured's clients, customers, tenants or vendors |
| Worldwide Coverage: | Provides coverage for wrongful employment acts or third party violations anywhere in the world. Claim must be made and suit must be brought in the United States of America, its territories and possessions, Puerto Rico or Canada |
| Supplemental Reporting Period: | Provides the insured the option to purchase an extended reporting period following cancellation or non-renewal. Allows for 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 |

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Claims Examples

Paid Loss after Deductible total may include multiple coverages

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

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 supervisor 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

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