

# **Employment Practices Liability Insurance**

*Claims are on the rise. Are you protected?*



## What is Employment Practices Liability Insurance (EPLI)?

(EPLI) protects companies against a broad spectrum of employment-related claims such as sexual harassment, workplace discrimination, and breach of contract. The passing of the Civil Rights Act of 1991 marked a dramatic turn in employers' liability and, coupled with far-reaching external events, added to the minefield of employment-related exposures facing today's business entity. Due to the rise in frequency and severity of such claims, EPLI coverage helps to shield companies from crippling compensatory damages in cases of alleged employment practices misconduct.

## Why is EPLI needed?

Employment Practices Liability Insurance coverage helps businesses effectively control legal and loss costs. This is of particular importance for small to medium-sized companies that potentially could not recover from a lengthy and costly litigation process. Additionally, EPL insurance heightens a company's awareness of its accountability, which in turn can enhance its compliance with federal and state employment laws and assist the human resources department in maintaining positive employee relations.

EPLI provides protection against many kinds of employee lawsuits including claims of:

*Sexual harassment • Discrimination (Race, Age, Sex) • Wrongful termination • Breach of employment • Negligent evaluation • Failure to employ/promote • Wrongful discipline Deprivation of career opportunity • Contract violations • Disability discrimination • infliction of emotional distress • Invasion of privacy • Mismanagement of employee benefits*

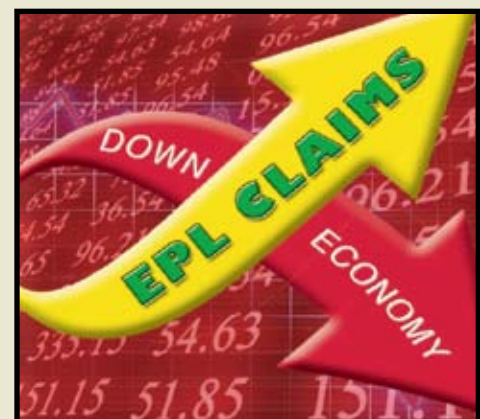
## **Fact:**

EPL claims will rise in a down economy.

On average **three out of five** employers will be sued by an employee

There's a **70%** chance that the employee will win the suit

**AVERAGE VERDICT \$852,838**



## **Federal laws that address employment liability**

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- Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991 which amended Title VII to include additional recoveries for the claimant and gave claimants the right to jury by trial.
- The Family Medical Leave Act
- The Age Discrimination Act

## **Employment Lawsuit Statistics**

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Recently released statistics from the Equal Employment Opportunity Commission (EEOC) on complaints filed with them in 2008 showed that there was a drastic increase in grievances over the previous year.

- 15% increase in discrimination complaints overall
- 29% increase in age discrimination complaints
- 23% increase in retaliation complaints
- 14% increase in sex discrimination complaints
- 13% increase in national origin discrimination complaints
- 11% increase in race discrimination complaints
- 10% increase in disability discrimination complaints

If an employer is sued by an employee there is a 61% chance that employee will win. That number increases to 66% if the suit is brought in state court, 70% if the suit alleges sex discrimination and 65% for disability cases.

The average verdict in an employment suit is \$627,447  
Average state court employee verdict is \$852,838  
Average state discrimination case is \$948,014  
Average state age discrimination case is \$1,967,923

These figures do not include defense cost.



## **EPL Facts and Findings**

### **Wrongful Demotion**

Two engineers were demoted and had their salary cut by 25%. They sued their company, alleging the company failed to follow its personnel policy when it demoted them and cut their salaries without good cause. A jury awarded one engineer \$700,000 and the other \$625,000 in economic damages. In addition, the jury also awarded \$75,000 in non economic damages for their emotional distress. This unanimous jury award of \$1.35 million was upheld at the state supreme court.

**Upheld Jury Award \$1,325,00**

### **Age Discrimination**

A television station fired a 53 year old television sportscaster based on viewer research surveys that described him as not impressive and an under performer. The sport caster sued alleging the workplace reflected a corporate atmosphere aimed at systematically ridding itself of older employees. The sportscaster further alleged that a TV station had violated the ADEA. A jury awarded the sportscaster \$1.2 million, and the eight circuit US Court of Appeals affirmed the award.

**Affirmed Jury Award \$1,200,000**

### **Wrongful Termination (English Only Rules)**

An employer in the health care industry will pay \$450,000 to settle a national origin discrimination lawsuit brought by the EEOC on behalf of Hispanic employees who were disciplined or terminated for speaking Spanish at work. The EEOC takes the position that rules requiring employees to speak English at all times on the employers premises likely constitutes national origin discrimination.

**Settlement \$450,000**

### **Race Discrimination**

An employer will pay \$60,000 to settle a race discrimination lawsuit brought by EEOC on behalf of an African-American manager of a retail store who was subject to a layoff. In the suit, the EEOC claimed that white managers with less experience and seniority were retained.

**Settlement \$60,000**

## **Class Action EPL Complaints**

### **Race Discrimination (Shoney's Inc.)**

Class action suit brought by African -Americans alleging they were denied employment or promotions between 1985 and 1993. The suit was settled for \$105,000,000.

### **Gender Discrimination (Publix Supermarkets)**

Class action suit by 150,000 past and present female employees at management and non-management levels who sued the company for keeping them in low-paying jobs.

The case settled for \$81,500,000.

**Affirmed Jury Award \$1,200,000**

### **Retaliation (Steve Foley Cadillac Inc.)**

An auto technician alleged he was wrongfully terminated in retaliation for his filing of a Worker's Compensation Claim. The defendant firm contended that he was fired for failing to give proper notice and for taking leave without proper authorization. A jury ruled in favor of the plaintiff and a 2.56 million dollar verdict was awarded.

NOTE: THESE SCENARIOS ARE NOT INTENDED TO BE INTERPRETED AS COVERAGE POSITIONS, COVERAGE FOR ANY GIVEN CLAIM IS BASED UPON ITS FACTS AND THE SPECIFIC TERMS AND CONDITIONS OF THE POLICY ISSUED TO THE INSURED.