



Published on *VANTREO* (<https://www.vantreo.com>)

[Home](#) > 10 Important Facts about Employment Practices Liability Insurance

---

## Key coverage provisions to understand before something happens

### Things are changing.

The years from 2008 to the present has seen a shift in liability insurance. In 2008, most of the employment practices claims made involved employment-related cases of wrongful termination. By 2012, the majority of claims were the result of retaliation and race and sex discrimination, as well as harassment and pregnancy discrimination. By 2017, companies began seeing increasing numbers of wage and hour claims.

These days, employment practices issues continue to rank highly as the most prevalent workplace claims, with considerable potential to cause disruption to a business. It is therefore increasingly important to understand the essentials of employment practices insurance and employees liability insurance in order to reduce risk to the business and align the expectations of everyone involved when a claim occurs.

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

The first step toward a greater understanding of practices liability is defining **Employment Practices Liability Insurance** [1] or EPLI. This is a type of business insurance that covers wrongful acts or management liability arising from the employment process.

Among the issues that may necessitate the filing of EPLI claims are employment-related issues such as wrongful termination, discrimination harassment, sexual harassment, negligent evaluation, invasion of privacy, emotional distress, wage and hour violations. Employees also have the rights reserved to file a claim against violations of the Americans with Disabilities Act.

Wrongful acts committed by non-employees are typically excluded from EPLI policies and management liability insurance. However, they may be included if and when they are specifically endorsed for EPLI coverage.

### What is an employment practice?

An employment practice is a term used in reference to patterns that may occur as part of the hiring and business workplace conditions. Many practices are acceptable and are necessary for a company's operations. But practices such as discrimination based policies, wrongful

termination, sexual harassment, and unfair wages are liabilities that could result in legal consequences for the business.

Employment practices are usually defined as acceptable or unacceptable by local, state, and federal agencies. In the United States, the EEOC [2], or United States Equal Employment Opportunity Commission, is tasked with regulating businesses according to the appropriate laws as well as providing compliance assistance and investigating violations. A business that is found in violation may be subject to citations, fines, or further legal action.

### **Is employment practices liability the same as employers liability?**

No. Employment practices liability, also known as EPLI insurance, covers wrongful acts and management liability arising out of the business' employment process. Employers liability is intended to protect employers from the financial loss that may occur if a worker becomes ill or experiences a job-related injury that isn't covered by workers' compensation.

Employers' liability insurance is usually packaged with workers' compensation insurance [3]. This arrangement provides additional protection against potential legal costs resulting from death, illness, or injuries in the workplace. For this reason, employers' liability insurance is often referred to as "part two" of the compensation policy granted to workers by an insurance company.

### **Is employment practices liability the same as professional liability?**

It is not. Professional liability is very different from EPLI insurance. Professional liability insurance [4] provides a professional business (such as a doctor, real estate agent, [5] architect, insurance broker, etc.) with protection from financial loss in the event of a lawsuit alleging damage, harm, or loss that the professional caused as they do their job: professional liability claims/insurance.

### **Is employment practices liability the same as errors and omissions?**

Errors and omissions, or E&O, insurance is intended to cover financial loss as a result of acts, errors, and omissions that may be committed by employees of a particular firm. E&O claims are typically focused on the products and services that companies offer to their customers.

The main difference between the two is that employment practices liability insurance generally covers employment-related claims that employees may file against the company or business in which they work. Errors and omissions, on the other hand, covers the rights reserved claims that clients and customers may make against the company. D&O coverage [6], which protects businesses from mistakes made by directors or board members, is also a separate policy.

## **10 Important Facts about Employment Practices Liability Insurance**

1. Wrongful acts (as defined by the policy) are typically included for coverage. Intentional acts are generally excluded from EPLI coverage.

2. Wage and hour damages are excluded from EPLI unless they are explicitly endorsed for inclusion. Even so, there is a sub-limit for defense cost coverage for wage and hour claims, which is usually not more than \$100,000.

3. Punitive damages, which generally exceed simple compensation and is awarded to punish the defendant, can be considered as part of optional coverage under EPLI. However, it is important to note that coverage of punitive damages is subject to state law. In states such as California, for example, EPLI insurance does not typically cover punitive damages. It is important to review the exact policy wording to be used.

4. The insurance company is usually responsible for selecting the attorney who will defend the lawsuit on behalf of the employer. The attorney is typically chosen from a pre-selected panel of approved attorneys, all of whom specialize in employment law, specifically liability insurance (EPLI). In some cases, the employer's counsel may be selected if the choice of counsel was approved by the carrier beforehand.

5. EPLI policies typically include self-insured retention (SIR) <sup>[7]</sup> instead of a deductible. A SIR is an amount that the policyholder will have to pay out-of-pocket for defense costs and losses during the early stages of an employment liability insurance claim before the insurer is required to pay anything. The SIR differs from the deductible. A deductible is subtracted by the insurer from its total claim payment, which then becomes the responsibility of the policyholder.

6. An EPLI claim is usually initiated by a written demand for relief, or when charges are brought before an agency such as the EEOC. Claims may also be initiated by the serving of a summons or a lawsuit, or as part of a regulatory investigation. If a claim is not reported when it is first initiated—or within the time frame specified in the policy—there may be a denial of the claim for coverage.

7. Employment practices liability insurance policies often include a provision known as a “hammer clause”. This clause states that if the insured does not agree to the first settlement opportunity recommended by the carrier, the carrier's liability may be capped at the amount for which the claim could have been settled. The defense costs up to the date of the settlement opportunity will also be included in the liability.

8. Breach of contract is usually excluded from coverage unless it is related to other allegations. The reason for this is that there is an assumption that the terms will be carried out if and when the insured enters into a contract. If the terms are not carried out, the assumption is that the company violated the contract intentionally.

9. The policy form will indicate “claims made” instead of “occurrence”. This means that the policyholder is only eligible to receive benefits if they are covered at the time the claim is filed with the insurance carrier.

10. It is advisable to notify the carrier of any facts that have surfaced that may require the filing of a future practices liability insurance (EPLI) claim, but for which no claim currently exists. Putting the carrier on notice of an unrealized possibility of a claim does not typically

affect the cost of the policy renewal. However, such a notice can secure important protections under the policy in the event that an employment practices liability insurance (EPLI) claim is made at a future date.

VANTREO's team of HR certified professionals [8], Spanish bilingual trainers, open enrollment coaches, and Employment Practices Liability Insurance [1]e experts are here to help. If you would like more information or need assistance, just let us know. **Reply here** [9].

div#block-block-4 .column { font-size: 11px; margin: 0; }

## **CORPORATE MAILING**

1950 W. Corporate Way #1  
Anaheim, CA 92801  
info@vantreo.com  
(800) 967-6543  
Fax (707) 546-2915

## **CHICO**

**VANTREO**  
2068 Talbert Dr Ste 100  
Chico, CA 95928  
(530) 895-1555

## **EUREKA**

**Craig Hansen**  
**Insurance Service**  
2103 Third Street  
Eureka, CA 95501  
(707) 445-9691

## **SACRAMENTO**

**Benefits Done Right**  
601 University Ave  
Ste 250  
Sacramento, CA 95825  
(916) 568-2345

## **SAN RAFAEL**

**VANTREO**  
851 Irwin St.  
Ste 300  
San Rafael, CA 94901  
(415) 922-2300

## SANTA MONICA

**Tegner Miller**  
2001 Wilshire Blvd  
Ste 101  
Santa Monica, CA 90403  
(310) 828-9662

## SANTA ROSA

**VANTREO**  
100 Stony Point Rd  
Ste 160  
Santa Rosa, CA 95401  
(707) 546-2300

- 
- 
- 
- 

Shop SKIM  
Contact Us  
Privacy Policy  
Sitemap



---

**Source URL:** <https://www.vantreo.com/10-important-facts-about-employment-practices-liability-insurance>

### Links

[1] <https://www.vantreo.com/coverage/employment-practices-liability-insurance>

[2] <https://www.eeoc.gov/>

[3] <https://www.vantreo.com/coverage/workers-comp-insurance>

[4] <https://www.vantreo.com/industries/professional-services>

[5] <https://www.vantreo.com/industries/commercial-real-estate>

[6] <https://www.vantreo.com/coverage/directors-and-officers-liability-insurance-coverage>

[7] <https://www.irmi.com/term/insurance-definitions/self-insured-retention>

[8] <https://www.vantreo.com/human-resources>

[9]

<mailto:executiveservices@vantreo.com?subject=Essential%20Mention%2010%20Important%20Facts%20ab>