

Employee Practices Liability Insurance

Don't Build a False Confidence

By Thomas H. Chappell

The insuring agreement found in most general liability policies is written with similar wording. For the purposes of this discussion, we have selected wording from the Global Aerospace General Liability policy.

“We will pay those sums that the insured becomes legally obligated to pay as damages because of bodily injury or property damage to which this insurance applies resulting from your aviation operations.”

That is a broad commitment and covers most of the exposures that may threaten your company, right? Not so fast. In times gone by, most lawsuits emanated primarily from death, bodily injury, or damage to someone's property. Those were the “good ole days”. You know, the days before political correctness.

Those were the days before all the “Right's Acts” and the development of all the federal and state commissions policing the acts. To name just a few: the Civil Rights Act of 1991, the Americans with Disabilities Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, and on and on. Of course, we need to enforce this new world of rights so we created the Equal Employment Opportunity Commission (EEOC). Every year it seems that this little gem (the EEOC) is becoming more aggressive in investigating and prosecuting claims for sexual harassment, discrimination, wrongful termination, retaliatory treatment, unfair hiring practices, and the list goes on. These actions are referred to as “Employment Practices”.

Lawsuits dealing with the alleged infringement on someone's civil rights are referred to as Employment Practices Liability. No bodily injury and no property damage is involved. The result? There is no coverage for employment practices liability suits or claims under a general liability insurance policy.

Can this coverage be purchased? We now have insurance companies that will offer Employment Practices Liability Insurance (EPLI) on a stand-alone insurance policy at reasonable premiums to businesses involved in the aviation industry. The initial application process is simple and a premium estimate can be quickly calculated.

Is this coverage really necessary? I think so. In fact, I am a strong enough believer that my company purchases EPL insurance. The statistics scared me to the point that the exposure is worth almost any price for the insurance protection.

The EEOC handles an average of 79,000 complaints each year. These complaints result in \$2.2 billion in benefits paid to the complainants.

The median verdict in employment practices liability cases hit \$218,000 in 2004.

During the past decade, Employment Practices litigation has increased by an estimated 400%.

Although serious EPL claims may cost in excess of \$450,000 to defend and settle, frivolous suits seldom settle for less than low five figures.

Claims resulting from rights violations are not limited to employees. Any business can be brought to task for third party claims from customers, vendors, or anyone outside your company for harassment, discrimination, or any of a multitude of rights offenses. Some of the Employment Practices Liability Insurance policies can be extended to include "Third Party Coverage".

If you have not yet been briefed on Employee Practices Liability Insurance and the affiliated coverages available in this industry sector, call your agent at once. These could be the most value packed insurance premium dollars you could spend.

Oh, there is one additional thing you must ask. Is the defense cost coverage included inside or outside the limit or liability you purchase? There is a big difference. You may want to purchase the defense cost in addition to or outside the policy limits. →