

# Employment Practices Liability Insurance: Crucial for Small Businesses



According to a recent study, more than half of all claims filed for employment-related liabilities are against employers with fewer than 50 employees. Alarming, the study also reveals that not even 2 percent of small businesses have employment practices liability (EPL) coverage.

### High Price Tag

Employment-related claims can be extremely costly, especially in cases that drag on for years. With a slow economy and increasing adoption of worker-friendly laws, these cases are on the rise—in fact, discrimination claims have increased significantly in the last 20 years. According to data from the Equal Employment Opportunity Commission (EEOC), most claims are based on race, sex, age and disability. Many small businesses cannot afford to pay these costs and keep their company afloat.

### What Puts Small Businesses at Risk?

Understandably, it can be much more difficult for small businesses to defend themselves against employment-related claims because they tend to have fewer resources and a different work environment. Small businesses are particularly at risk for employment-related claims for the following reasons:

- Many have a minimal staff and lack of in-house counsel and/or full human resources department to rely on
- Overall lack of extensive recordkeeping on employee performance
- More intimate working environments may cause personal riffs during layoffs

### An Affordable Solution

Fortunately, with employment-based lawsuits on the rise and the economy's sluggish upward climb, EPL coverage is becoming more affordable. More insurers are beginning to offer EPL insurance policies with comprehensive coverage to smaller businesses to protect them in tough times. In fact, EPL insurance is becoming so important to the success of small businesses that it is being offered at more affordable prices and being tailored specifically for those smaller companies. With the average cost of an employment lawsuit exceeding \$270,000, the potential return dwarfs the initial cost of EPL coverage. Talk to The Heritage Group to learn if this risk transfer option is right for your business.

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