

Are You Prepared for Employment-related Practices?



Employment-related lawsuits are a growing concern for employers of all sizes. As costs for litigation and damage awards climb, experts predict that employment liability will only become more complex. As a result, it is critical for employers to understand their exposures and options to manage the risk.

Strategies to Reduce Your Company's Exposure

Two effective risk management strategies include solid human resources practices and employment practices liability (EPL) insurance coverage, a policy used to cover your risk due to the ever-changing legal and employment environment.

There are three common employment-related lawsuits today:

1. **Wrongful termination:** The discharge of an employee for invalid reasons.
2. **Discrimination:** The denial of equal treatment of workers who are members of a protected class.
3. **Sexual Harassment:** When a worker is subject to unwelcome sexual advances, obscene or offensive remarks, or the failure to stop such behavior.

Employment Practices liability (EPL) insurance works hand-in-hand with your internal employment practices to provide the necessary resources to defend your company

against a suit or to pay a claim. To best understand how to cover your EPL risk, it's important to know the potential sources:

- Recruitment practices
- Employment applications
- Employment offers
- Employee orientation
- Annual conduct reviews
- Enforcing performance policies
- Termination
- Improper documentation of the above items

To limit your exposure, engaging in solid human resources practices is an important strategy in reducing your company's liability.

To verify your HR policies and best practices, conduct a thorough HR audit:

- Verify that the Employee Handbook outlines all policies and terms of employment in clear and concise language

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- Require employees to sign an acknowledgement form for receipt of Handbook.
- Develop training for supervisors including interview skills, performance reviews and a “zero-tolerance” policy.

Employment law is often complex and varies depending on the jurisdiction. Well organized and credible documents can demonstrate fair treatment, deter litigation, ensure employee honesty and—should litigation occur—demonstrate the employer’s actions.

In addition to having the appropriate employment policies and HR best practices in place, EPL insurance coverage is another useful risk management tool used to defend against a suit or pay a claim. In fact, evidence of desirable practices and policies will be required to obtain EPL coverage. Typically, the insurance underwriter will require a copy of your employee handbook, which should cover the following policies:

- Sexual harassment
- Discrimination
- Equal opportunity
- Disabled employees and accommodations
- Grievances
- Employee discipline
- Termination
- Performance evaluations
- Internet usage/employee privacy

- Pregnancy leave
- Internal job postings
- Hiring and interviewing
- Alternative dispute
- Resolution/arbitration
- Employment-at-will
- Employment application form

In addition, you are usually required to provide the most recent annual report or SEC 10-K, the list of entities proposed for the coverage, and most recent EEO-1 reports.

EPL insurance works hand-in-hand with your internal employment practices to provide the necessary resources to defend your company against a suit or to pay a claim. As with all of your risk-management needs, Huckaby & Associates is committed to assisting you in assessing your employment-related policies and helping you to develop best-practice solutions. Call us today at (803) 772-3773 to learn more about our effective risk management services.