



The Real Cost of Risk: Why EPLI Matters

Employment-related liability continues to grow in both reach and complexity. With regulations tightening, artificial intelligence now playing a role in hiring decisions, and a stronger focus on workplace equity and privacy, Employment Practices Liability Insurance (EPLI) remains one of the most important protections a business can have.

EPLI provides protection against a wide range of claims, including harassment, discrimination, wrongful termination, and other alleged violations brought by employees or even third parties. Regardless of the organization's size, EPLI offers vital support in managing the rising legal and financial burdens associated with these risks.

Nearly 20% of EPLI claims brought against companies with fewer than 500 employees lead to defense and settlement costs over \$125,000, which can be financially damaging for a small operation.¹

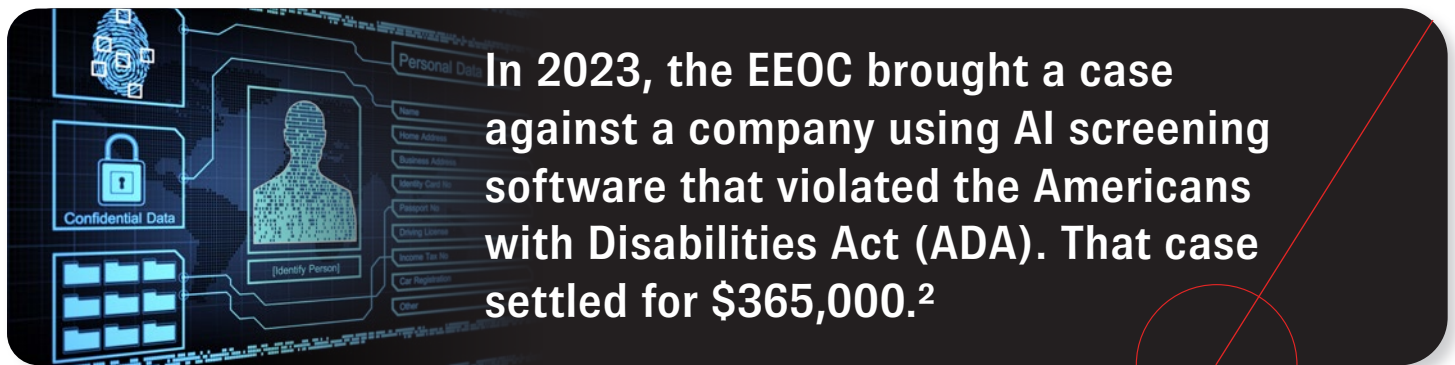


Today's legal and cultural environment is pushing businesses to confront a broader set of employment-related exposures than ever before. Companies that aren't taking active steps to address these risks may be leaving themselves vulnerable. When a claim that an employee's rights have been violated arises, EPLI serves as a critical resource.

While large corporations often face the most public lawsuits, smaller businesses are still very much at risk. Nearly 20 percent of EPLI claims brought against companies with fewer than 500 employees lead to defense and settlement costs over \$125,000, which can be financially damaging for a small operation.¹ EPLI can reduce the financial toll of these claims by covering key legal expenses.

KEY EMPLOYMENT PRACTICE EXPOSURES

Workplace exposures continue to include allegations like wrongful termination, discrimination under Title VII of the Civil Rights Act, and sexual harassment. While these concerns remain common, recent developments are adding new legal challenges.



Lawsuits have increasingly focused on claims involving transgender employee rights, pay disparities under new transparency laws, and disputes tied to Diversity, Equity, and Inclusion (DEI) programs. Regulatory bodies are also paying closer attention to the use of AI in hiring and employment decisions. In 2023, the EEOC brought a case against a company using AI screening software that violated the Americans with Disabilities Act (ADA). That case settled for \$365,000.²

Claims from individuals outside the company are also becoming more common. Title III of the ADA, which addresses accessibility for customers and other third parties, has been cited more frequently in lawsuits, particularly those involving website access for people with hearing or vision impairments.

New legislation at the state level is expected to bring additional responsibilities for employers. Take Colorado as an example. The state recently passed a law regulating how employers use AI in their hiring and employment practices, and other states are likely to follow. At the same time, growing requirements around pay transparency and anti-harassment programs are leading to increased oversight from insurers. In response, many underwriters now require businesses to provide sexual harassment training and maintain clear workplace policies as part of the application process.

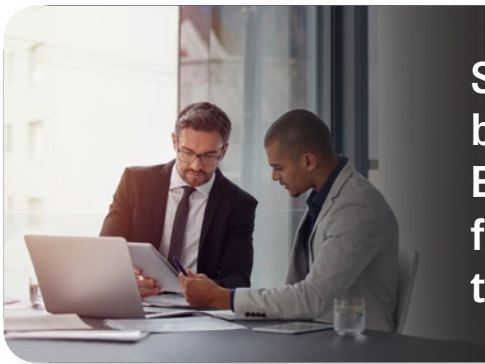


THE EPLI MARKETPLACE

The EPLI insurance market remains competitive despite employment-related risks becoming more complicated. Most insurers offer flat renewals and, in many cases, premium reductions of up to 10 percent to keep current clients or win new ones. Some carriers are also open to quoting lower self-insured retentions, particularly for new accounts, and may offer discounts when EPLI is bundled with other coverages. Generally, the cost of obtaining EPLI coverage depends on the type of business, number of employees, and various other risk factors, including any past history of litigation due to employment practices.

At the same time, underwriting is more selective in certain areas. Businesses in states like California, Florida, and Nevada may face higher premiums or tighter terms. Carriers are also more cautious with industries that have experienced high claim volumes or with organizations employing highly compensated executives.

To evaluate today's risks more precisely, underwriters are asking detailed questions about pay equity procedures, the use of AI in human resources, and how biometric data is collected and stored. Some carriers now require supplemental questionnaires to address these exposures. These concerns are no longer theoretical; they directly influence how coverage is underwritten and priced. As carriers evolve their underwriting practices, it's worth revisiting the purpose and value of EPLI coverage itself.



Some mistakenly believe EPLI isn't needed because intentional acts are excluded. But EPLI covers legal and financial burdens from employment-related claims, even if those claims are unfounded.

WHY EPLI COVERAGE MATTERS

There's a common misconception among businesses that EPLI isn't necessary because many intentional acts, such as discrimination, are excluded from coverage. However, in reality, EPLI is designed to help organizations manage employment-related claims' legal and financial burdens, regardless of whether those claims are ultimately proven valid.

These policies typically cover legal defense costs, settlements, and awards tied to employment lawsuits. While they may exclude civil or criminal fines and punitive damages, EPLI remains essential for protecting companies from potentially devastating litigation expenses. A single claim can have serious consequences, especially for small and midsize businesses.

As application requirements grow more detailed and workplace risks continue to change, having the right EPLI coverage is more critical than ever. Retail agents can bring valuable insight by helping clients identify their unique exposures and connecting them with experienced wholesale partners who understand the current insurance market.

WHY THIS MATTERS FOR EMPLOYEE BENEFITS AGENTS

While Employment Practices Liability Insurance (EPLI) is often seen as a concern for general liability or specialty markets, it's increasingly relevant for employee benefits advisors as well. Employment-related claims can intersect with benefits administration, particularly around compliance, leave policies, health benefits eligibility, and employee communications.

For benefits agents, EPLI can provide a safety net against claims that arise from misunderstandings or disputes related to health insurance coverage, ADA accommodations, or the implementation of wellness programs. As benefit advisors aim to offer clients comprehensive solutions, ensuring appropriate EPLI coverage helps strengthen client relationships and provides a more complete approach to risk management. Collaboration between CRC Benefits and CRC Specialty means more opportunities to offer holistic solutions that address complex risks from every angle.



EPLI: Not Just for Specialty. Discover how CRC Benefits and CRC Specialty collaborate to offer clients a more complete approach to risk management.

BOTTOM LINE

A single claim of discrimination or harassment can result in hundreds of thousands of dollars in defense and settlement costs. For a small or midsize business, the financial impact of such a claim could result in serious setbacks or even force closure. Even companies with strong HR policies and procedures are not immune.

Now is the time to take another look at EPLI coverage needs. With a favorable pricing environment and an increasingly complex risk environment, businesses should work closely with their insurance advisors to ensure that their EPLI policy is broad, up to date, and reflective of the risks they face in 2025 and beyond.

Retail agents should contact their CRC Benefits local sales team to discuss how we can help protect clients from evolving employment practices risks with comprehensive EPLI solutions.

CONTRIBUTOR

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END NOTES:

1. ADP (2024) Understanding the Benefits of Employment Practices Liability Insurance (EPLI) https://www.adp.com/-/media/TotalSource/pdf/6_BL%20Vol%2022_EPLI%20Article.ashx#:~:text=
2. EEOC (2022) EEOC Sues Company for Age Discrimination <https://www.eeoc.gov/newsroom/eeoc-sues-itutorgroup-age-discrimination>