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## **Common Misconceptions Causing Business Owners Not to Purchase EPLI**

Some of the most common lawsuits heard in courtrooms are discrimination suits against businesses. This is confirmed by the fact that in 2009 over 130,000 complaints were filed with the Equal Employment Opportunity Commission alone. There is no officially estimated figure as to the total cost of discrimination lawsuits on businesses, but a reasonable estimate is around two billion dollars per year.

Fortunately for businesses, there is an insurance product designed to protect businesses from these kinds of lawsuits: employment practices liability insurance, or EPLI. Insurance companies offer EPLI as part of their business insurance product line. However, there is a disparity involved: a lot of eligible companies do not purchase EPLI. Despite the fact that the United States has become a litigious society, and despite the huge costs to businesses who do not have this kind of insurance, it seems odd that so many would resist protecting themselves from this incredible liability.

Regrettably, there are many myths about EPLI that have taken hold in the popular business consciousness. It is necessary to dispel these myths in order to drive home to businesses that they need to protect themselves from discrimination-related litigation.

1) Too many companies believe, whether due to the structure of their business or some other factor, that they are immune from lawsuits. This is flat out false; no matter what kind of company it is or how it is structured, even if it is set up as a corporation, that legal protection can be stripped away instantly by a judge. Depending on the size of the business, it may not have the human resources practices and policies necessary to prevent a discrimination lawsuit. Therefore, if the business does not have that administrative structure in place, they are more exposed than they realize, and thus are a candidate for EPLI coverage.

2) Aside from believing that a business is immune from lawsuits, believing that they can absorb the costs of a lawsuit is the next most damning myth. Legal action is inevitably costly, and not just financially costly, either. Since in legal situations management staff and other professional members are asked to testify, gather evidence, and perform other actions for the court, the more time they spend on these non-core business activities, the less time they are focusing on the bottom line. Therefore, the more time it takes, the more lost money it costs that business. It is actually quite easy for a business to go bankrupt as the result of a lawsuit.

In addition to the non-calculable cost through lost earnings, an examination of the precise costs to businesses from discrimination lawsuits is very revealing. In two 2005 cases, Wachovia Corporation and Consolidated Freightways agreed to pay over five million and three million dollars to settle their respective lawsuits. In 2004, United Airlines was forced to pay over thirty-six million dollars to settle its own discrimination lawsuit case.

3) The final myth involves business owners failing to understand the full extent of their current coverage. Falsely, many think that general business insurance protects them from discrimination lawsuits, when in fact, it does not. Business owner policies, workers' compensation, general and professional liability policies actually sometimes specifically exclude liability from discrimination suits.

Despite all possible non-insurance precautions that businesses take, EPLI is still the only way to fully protect themselves from the costs of lawsuits based on discrimination. EPLI provides coverage from liabilities like sexual harassment, general discrimination, wrongful termination, breach of employment contract, negligent evaluation, failure to employ or promote, wrongful discipline, deprivation of career opportunity, wrongful infliction of emotional distress, and management of employee benefit plans. Clearly, EPLI provides comprehensive protection from every possible kind of discrimination-related liability.