blog post

Taking a Deeper Dive into Employment-Related Staffing

Employment Practices Liability Insurance (EPLI) covers a wide variety of employment-related exposures from the Equal Employment Opportunity Commission (EEOC) and discrimination claims to sexual harassment and more. Below are a few key coverage components. Understanding these coverage offerings and knowing how it impacts your staffing company will help you and your insurance broker craft a custom-tailored policy.

EPLI for Staffing Companies
It's essential to make sure the definition of "employee" extends to temporary/placed employees in your EPLI policy. The ability to extend coverage to your clients as co-defendants is important in the event a claim is made by a temporary employee for a wrongful act against the client/host employer. Where available, you should also request the policy be rated on billable hours, rather than head count, for the most competitive rate.

Choice of Counsel
Under a typical arrangement, the insurance carrier relies on a panel of qualified employment attorneys to provide defense in the event of a claim. Some carriers, however, will allow an insured to designate their own employment attorney, in lieu of the panel approach, which is a conversation you want to have with your broker prior to renewal. The carrier will require basic information such as the attorney's name and hourly rates, and if approved, the carrier will endorse your policy which will allow you to use the pre-approved attorney of your choice.

Wage & Hour
Wage and Hour coverage is available; however, capacity is still limited and the coverage can be somewhat restrictive in scope. The sub-limits offered are generally for defense only and do not include indemnity, and limit are typically in the $50,000 - $500,000 range. Historically, carriers have only provided the coverage to in-house employees, although some carriers will now extend coverage to temporary and PEO employees.

Third Party Coverage
Some policies will allow you to extend harassment and discrimination coverage pertaining to claims made by third parties such as vendors, suppliers and so forth.

Hammer Clause
All EPLI policies contain a settlement provision commonly referred to as the "hammer clause." In a typical policy, the insurance carrier needs your permission to settle a claim. This provision states that should your insurance company and the claimant both agree to settle the claim, but you don't agree, the total claim payment (including defense) can be limited to a certain percentage of what the claim would've settled for, if you had agreed to it. 150% is a common sublimit.

For additional information on employment-related claim trends and coverage, watch this quick video.

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