

What is employment practices liability insurance (EPLI)?

Business Insurance

IN THIS ARTICLE

- Broader Scope of Claims
 - Regulatory & Legislative Shifts
 - Emerging Risk Areas
 - Practical Steps for Businesses
-

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Employment Practices Liability Insurance (EPLI) covers businesses against claims by workers that their legal rights as employees have been violated. These claims can include:

- Sexual harassment
- 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
- Mismanagement of employee benefit plans

EPLI policies typically reimburse your company for the costs of defending a lawsuit and for settlements or judgments. They usually **do not** cover punitive damages or criminal/civil fines. Liabilities covered by other insurance, such as workers' compensation, are excluded.

While the foundational risks remain, new workplace dynamics and legal developments have expanded EPLI exposures.

Broader Scope of Claims

- Wage and hour disputes
- Employee misclassification
- Privacy violations
- Bias or discrimination in artificial intelligence (AI)-driven HR tools
- Issues arising from remote and hybrid work

Even smaller businesses now face risks that were once primarily associated with large corporations.

Regulatory & Legislative Shifts

- **Pay transparency laws:** Many states require salary ranges, creating compliance obligations.
- **AI in HR:** Automated hiring, promotion, and evaluation tools may pose bias risks.
- **Remote work considerations:** Policies must ensure consistent treatment across on-site and remote employees.
- **EEOC updates:** Guidance now covers harassment and discrimination in online and remote workplaces.

Emerging Risk Areas

- **AI bias in HR decisions:** Automation in recruiting and performance evaluation is under scrutiny.
- **Pay transparency and wage/hour issues:** Non-compliance can trigger claims.
- **Remote/hybrid work:** Inconsistent treatment can lead to disputes.
- **Increased claim severity:** Settlements and defense costs are rising in some sectors.

Practical Steps for Businesses

1. Review Your Coverage

- Ensure EPLI policies cover modern exposures, including wage/hour disputes, remote work, and HR automation.

2. Strengthen Risk Management

- Update hiring, evaluation, termination, and remote work policies.
- Provide regular training on harassment, discrimination, and compliance.
- Document employee disputes and corrective actions.
- Monitor technology and AI use in HR decisions.

3. Stay Compliant

- Track state and federal regulations, including pay-transparency laws and AI governance.
- Ensure policies are consistently applied across remote and on-site employees.

Claims by employees are increasing, and workplaces are more complex than ever. EPLI protects your company by covering legal defense costs, settlements, and judgments, while supporting a broader employment risk-management strategy. Even small businesses face exposures they may not have considered, making EPLI an essential part of workplace protection.

[Back to top](#)