

# WHY YOU NEED EMPLOYMENT PRACTICES LIABILITY



## Accounting Firms, Practices or Agencies

*Services provided: accounting, auditing, tax, financial advisory and consulting*

Due to the nature of their work, small accounting firms require Employment Practices Liability Insurance (EPLI) to protect their business from potential financial losses and reputational damage. These firms face unique employment-related risks that may occur from the professional services they provide, such as helping clients manage financial records, comply with regulations, make informed decisions, and achieve financial goals.

## KEY EXPOSURES AND INSURANCE SOLUTIONS



**Discrimination Claims:** These may be based on race, gender, age, disability, religion, or other protected characteristics. An insurance policy provides coverage that helps protect against potential lawsuits arising from these disputes.



**Retaliation Claims:** Employees reporting misconduct or engaging in protected activities may file retaliation claims against their employer. An insurance policy can help protect small firms from the financial impact of these claims, covering legal expenses and damages that may arise from such lawsuits.



**Wage and Hour Violations:** Small firms may face wage and hour issues, including unpaid overtime or employee misclassification. An insurance policy can safeguard businesses against these disputes, providing financial support for potential settlements and legal defense costs.



**Sexual Harassment or Hostile Work Environment:** Allegations of sexual harassment or a hostile work environment can lead to costly legal battles and reputational damage. An insurance policy provides coverage for legal defense costs and potential settlements related to such claims.


## CLAIM EXAMPLES

### Age/Gender Discrimination and Wrongful Termination Claim:

A 65-year-old female accountant sued a large California firm for age and gender discrimination, alleging wrongful termination due to supposed declining work performance. The company failed to provide documentation supporting their claim of poor performance. It was later revealed that the firm replaced her with a younger, lower-paid male accountant. The case settled for \$550,000, with additional defense costs of \$80,000. This case reflects the consequences of lacking performance documentation and replacing an older employee with a younger, less experienced one, suggesting age and gender bias. The lack of evidence and replacement circumstances significantly contributed to the large settlement amount.

### Internet/Email Liability, Sexual Harassment and Hostile Work Environment:

A senior auditor accidentally sent a lewd joke to the entire company instead of a single coworker. Management required an apology email, but no further disciplinary action was taken. Later, during company downsizing, another auditor was let go and filed a lawsuit alleging sexual harassment and a hostile work environment due to the email incident and management's inaction. The insured settled the case for \$110,000, with an additional \$40,000 spent on defense costs. The incident illustrates how a single inappropriate action can escalate, especially when coupled with inadequate management response. The eventual lawsuit and settlement demonstrate the long-term risks of not addressing workplace misconduct promptly and effectively.



**Fair Labor Standards Act (FLSA) Violation (Wage and Hour):** A rural Midwestern firm faced a lawsuit from four executive assistants for unpaid overtime due to incorrect classification as exempt employees. The employees' attorney successfully argued that their pay deductions for hours under 40 per week indicated non-exempt status. The employees received two years' worth of back pay and \$85,000 in liquidated damages for intentional misclassification, with the insured incurring an additional \$44,000 in defense costs. The misclassification of employees as exempt from overtime pay led to substantial legal and financial repercussions. The case underlines the importance of accurate employee classification and the costly impact of non-compliance with wage and hour laws.

**Pregnancy Discrimination/Family Medical Leave Act:** A female tax manager took maternity leave subject to the Family Medical Leave Act. Upon her return to work, she alleged the insured organization gave her a negative evaluation and terminated her employment due to her pregnancy and the corresponding leave of absence. A discrimination claim was filed with the Equal Employment Opportunity Commission (EEOC), and a jury awarded her \$3 million including \$2.5 million in punitive damages. This situation showcases the severe repercussions of perceived discrimination against employees taking legally protected leave. The substantial jury award, especially the punitive damages, highlights the critical importance of fair and legal treatment of employees on leave.



### Access Free and Discounted Business Resources

Every USLI policy comes with access to the Business Resource Center (BRC). Policyholders can save time and money by utilizing BRC resources so they can focus on growing their business. The BRC can help with hiring and training, navigating personnel issues, managing business operations and more.



[bizresourcecenter.com](https://bizresourcecenter.com)