

# EPLI AND FIDUCIARY LIABILITY CLAIMS EXAMPLES FOR SMALL BUSINESSES



In today's increasingly litigious society, Employment Practices Liability Insurance (EPLI) serves as a vital shield for businesses navigating the complexities of employment laws and regulations. EPLI offers robust protection against claims stemming from employment-related issues, such as discrimination, harassment, wrongful termination and retaliation. For small businesses, EPLI is particularly crucial as they may lack the resources or expertise to effectively manage these risks. By securing EPLI coverage, small businesses can confidently navigate the challenges of a lawsuit-prone world, safeguarding their financial stability and fostering a thriving, professional work environment.

## CLAIM EXAMPLES

### *Accounting Firms*

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**EPLI Claim:** An accounting firm terminated an employee for alleged poor performance. The employee filed a wrongful termination claim, arguing that their dismissal was based on age discrimination. The firm faced legal expenses of \$50,000 and a settlement cost of \$100,000. This age discrimination and wrongful termination claim against the accounting firm highlights the need for clear, unbiased performance evaluation systems. The firm's lack of proper documentation exacerbated the situation, leading to substantial legal and settlement costs. EPLI coverage would help protect the small business owner from the financial impact of such claims, ensuring compliance with employment laws and regulations.

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**Fiduciary Claim:** The same accounting firm failed to remit employee 401K contributions to the plan in a timely manner, resulting in lost investment opportunities for the employees. The employees filed a claim against the firm for breach of fiduciary duty and sought \$75,000 in damages. Fiduciary Liability insurance would help protect the small business owner from the financial impact of such claims and emphasize the importance of proper plan administration, covering defense costs and potential settlements.

### *Fast Food Restaurants*

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**EPLI Claim** A fast food restaurant faced a sexual harassment claim when an employee accused a shift supervisor of making inappropriate comments and advances. The employee sought damages for emotional distress, resulting in \$40,000 in legal expenses and a \$60,000 settlement. The sexual harassment claim indicates a lack of effective harassment policies and training, especially among supervisors, emphasizing the need for a proactive approach in preventing workplace harassment. EPLI coverage would provide the small business owner with defense costs and potential settlement expenses, protecting the business from reputational harm and ensuring a safe work environment.

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**Fiduciary Claim:** The same fast food restaurant offered a retirement plan with limited investment options, high fees, and underperforming funds. Employees filed a claim against the restaurant for breach of fiduciary duty, alleging that the plan fiduciaries failed to act in their best interests. The claim resulted in \$30,000 in defense costs and a \$90,000 settlement. The inadequate retirement plan options demonstrate the necessity of ensuring employee best interests in benefit plans, highlighting the importance of regular plan reviews and updates. Fiduciary Liability insurance would cover the small business owner's legal expenses and potential settlements, ensuring the prudent management of employee benefit plans and promoting financial security for employees.



### Marketing Agency

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**EPLI Claim:** A marketing agency faced a wage and hour claim when employees alleged that they were not paid overtime wages as required by the Fair Labor Standards Act (FLSA). The employees sought back pay and damages, resulting in \$45,000 in legal expenses and a \$120,000 settlement. The wage and hour claim reveals potential oversights in compliance with labor laws, specifically regarding overtime pay, stressing the importance of accurate time tracking and adherence to wage standards. Proper EPLI coverage would help the small business owner cover legal expenses and potential settlements, ensuring compliance with labor laws and maintaining employee satisfaction.

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**Fiduciary Claim:** The same marketing agency's retirement plan charged excessive administrative fees, which were not monitored or negotiated by the plan fiduciaries. Employees filed a claim against the agency for breach of fiduciary duty, alleging that the fiduciaries failed to control plan costs. The claim resulted in \$35,000 in defense costs and an \$80,000 settlement. The excessive administrative fees charged by the retirement plan point to a lack of diligent oversight by plan fiduciaries, emphasizing the necessity for ongoing monitoring and negotiation of plan costs. Fiduciary Liability insurance would protect the small business owner from the financial consequences of such claims, emphasizing the importance of monitoring and managing plan fees.

### Retail Store

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**EPLI Claim:** A local retail store faced a hostile work environment claim when an employee alleged that their supervisor consistently made derogatory remarks about their race. The employee sought damages for emotional distress and lost wages, resulting in \$40,000 in legal expenses and a \$70,000 settlement. The hostile work environment claim due to racial remarks signifies the need for a stronger focus on diversity and sensitivity training within the workplace culture. EPLI coverage would protect the small business owner from the financial consequences of such claims, emphasizing the importance of maintaining a respectful workplace and fostering a positive work culture.

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**Fiduciary Claim:** The same retail store failed to provide employees with accurate information about their eligibility for life insurance coverage, resulting in several employees being enrolled in the plan without proper coverage. The affected employees filed a claim against the store for breach of fiduciary duty, seeking damages for lost benefits. The claim resulted in \$25,000 in defense costs and a \$50,000 settlement. Miscommunication about life insurance coverage eligibility highlights the need for accurate benefits management and transparent communication with employees regarding welfare benefits. Fiduciary Liability insurance would protect the small business owner from the financial consequences of such claims, ensuring proper communication with employees and accurate handling of welfare benefits.



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