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## Avoiding the High Cost of Employment Lawsuits: Proactive Measures for Hospitality Businesses

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Sexual harassment, discrimination, retaliation, wrongful termination—if an employee or former employee sued your business due to one of these situations, do you have the correct insurance to pay for your legal defense or the settlement associated with the lawsuit?

Although a business is [three times more likely](#) to have an employment claim than a fire claim, 70% of businesses do not have Employment Practices Liability Insurance (EPLI), a type of insurance coverage that would help cover the cost of an employment claim and defense costs.

According to the Equal Employment Opportunity Commission (EEOC), the hospitality industry is the largest source of employment claims. The majority of claims are settled out of court and with an average [cost of \\$75,000](#). However, if litigated and lost, the average cost is \$217,000.

An EPLI policy protects against many types of employment-related claims. Common types of claims are retaliation (which can include wrongful termination), sexual harassment, racism, and failure to hire. EPLI would cover the cost of the lawsuit and any associated damages against your company for any of the following claims.

### RETALIATION

An employee asks not to be scheduled on Sundays to accommodate their religious beliefs. Although the request is approved, the employee discovers they are being given fewer shifts throughout the week. They then file a lawsuit against the company, claiming that the shift reduction was in retaliation for the request to have Sundays off.

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## SEXUAL HARASSMENT

An employee experiences unwelcome sexual advances and other verbal or physical harassment of a sexual nature. These claims can be both first and third-party.

## RACISM

An employee sues their company, alleging they have not received a well-deserved promotion because they belong to a racial minority group.

## FAILURE TO HIRE

An employer has just interviewed a candidate with the proper qualifications to work at their business. The candidate overhears two employees laughing about how challenging it would be to work with someone with epilepsy. When the employer informs the candidate that they are going to hire a more experienced person, the employee believes it is because of their medical condition and files a lawsuit against the employer for failure to hire based on a protected category.

## BEST PRACTICES TO PROTECT AGAINST EMPLOYEE-RELATED CLAIMS IN THE HOSPITALITY INDUSTRY

- + Speak with an experienced insurance broker about an EPLI policy.
- + Create an employee handbook detailing all company procedures and policies, ensuring employees sign off that they understand them.
- + Make policies and procedures readily available and perform orientations with all new hires to explain them.
- + Ensure employees understand policies and the consequences of harassment and discrimination in the workplace.
- + Provide regular seminars on workplace harassment and discrimination for all employees.
- + Provide a written job description for each position, clearly defining required skills and expected performance.

With the hospitality industry as the largest source of high-cost EEOC claims, it is vital to consider if your business is prepared for this risk. Contact an experienced insurance broker to discuss if an EPLI policy is right for your business.

## References and Resources

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