



Policy Factsheet

Employment Practices Liability Insurance

Overview

Churches often lack functions such as human resources departments, job descriptions, and annual reviews, which can make employment issues a grey area.

The purpose of Employment Practices Liability Insurance is to protect your organization and its Directors and Officers, including clergy, church officers, chapter members, and boards and leaders of church-related institutions against “Wrongful Acts.”

What’s Covered

Wrongful termination and breach of contract are the most common types of claim related to Employment Practices Liability Insurance, followed by termination or non-renewal for prejudice. When a demand, suit, or complaint is made by an employee, Employment Practices Liability Insurance kicks in and covers these “Wrongful Acts”:

- Wrongful termination;
- Allegations of discrimination;
- Harassment;
- Retaliation;
- Misrepresentation to an applicant;
- Libel, slander, and defamation;
- Failure to employ;
- Deprived opportunity;
- Wrongful evaluation or demotion;
- Wrongful discipline;
- Failure to enforce policy;
- Violation of civil rights.

FAQs

Q: *What timing considerations impact whether a claim will be covered?*

A: Coverage is triggered by a claim presented during the policy period because of a wrongful act that has taken place after a designated retroactive date.

For example, if you have a retroactive date of January 1, 2017, for your coverage of the years 2018 and 2019, any claims resulting from a wrongful act prior to January 1, 2017, would not be covered.

Sometimes the retroactive date is the date on which the policy begins; sometimes it is an earlier date negotiated with the insurer.

Three important dates define whether a claim will be covered:

- The date of the event, which must be after the Retroactive Date;
- The policy Retroactive Date, which must be before the event;
- The date the claim is presented, which must be within the policy term.

Q: *What should I do when an employee complains?*

A: Report any potential employment practices liability incidents to Church Insurance, your attorney, and a clergy member as soon as you become aware of them.

Keeping your insurer informed does not necessarily mean an increase in insurance costs. Insurance companies expect some claims. However, if a church has multiple and ongoing employment-related claims and seems to be negligent in fixing the underlying problem, that could result in increased costs or even cancellation of the policy.

Under some policies, a delay in reporting an incident or allegation may leave the church without employment practices liability coverage.

Report promptly if an employee files a complaint with the Equal Employment Opportunity Commission (EEOC) because the EEOC puts a limit on the response time.