

Are YOU Properly Insured?

by Kenneth Peters

Insuring a business properly can be a rather daunting exercise, considering it is complicated and oftentimes quite expensive. Even worse is the possibility that after all your best efforts, you may well be improperly insured due to an absence of certain coverage, endorsements or a specific policy unique to your business operation.

It is, therefore, very important for your company's fiscal solvency to periodically review your insurance portfolio. The primary purpose of insurance should be to protect you from financial disaster, thusly provide you with catastrophic coverage in those areas that you do not want to absorb the risk.

If you own a property management company or if you are doing business with a property management company, I would like to highlight two important areas of insurance for your consideration: Errors & Omissions Insurance (E&O) and Employment Practices Liability Insurance (EPLI).

Why do YOU need Errors & Omissions Insurance?

Professionals provide advice, information and services that have a significant affect on the affairs of their clients. When a professional makes a mistake, the result can be an expensive claim. Standard general liability policies normally do not cover this type of claim.

Furthermore, coverage for legal defense costs is an important benefit of this coverage. The cost of a trial, even if the management firm wins, can exceed \$150,000.

An E&O policy will protect the property management company from claims arising from a negligent act, error or omission. Also, the policy will protect from claims arising from a publication of material that slanders, libels or disparages products or services, or violates a person's right of privacy. The policy will also provide for defense costs, which can be included within the policy limit of liability.

If you own a property management company, an E&O policy should be a part of your insurance portfolio. If you are an apartment owner or a condo association doing business with a property management firm, you should consider asking if they carry this type of insurance.

EPLI INSURANCE - WHY DO YOU NEED THIS PRODUCT?

Most businesses will not have an existing EPLI policy – (Employment Practices Liability Insurance) because it is a relatively new product. Business owners and managers are understandably reluctant to buy a coverage they have not purchased in the past.

THERE IS HOWEVER, A STRONG NEED FOR THIS COVERAGE. Business owners often believe that only large corporations are vulnerable to employment claims. Cases involving big-name companies make the headlines, but claims against companies with less than 100 employees are common.

EPLI claims have increased dramatically in the last ten years. The reasons for this increase include our dynamically changing work environment, and newer laws, such as the Civil Rights Act of 1991, the Family Medical Leave Act, and the Americans with Disabilities Act.

Employment practices are one of the major liability risks faced by businesses today. Consider the variety of discrimination claims that a business can face: age, gender, disability, race, national origin, religion, marital status, pregnancy, sexual orientation, and military service and ... discrimination is just one type of EPLI claim! Judgments have increased, and publicity surrounding large jury verdicts can be an added incentive for employees to sue.

According to jury verdict research:

- The median compensatory award received by workers increased from \$93,000 in 1994, to \$218,000 in 2000.
- In the year 2000, twenty percent of the verdicts exceeded \$1 million.
- Employees won 67% of the jury verdicts in 2000.

Even when the employer wins in court, the legal expenses of a trial can exceed \$150,000. Businesses often put off the purchase of EPLI coverage. However, if they wait until a problem arises, coverage may not be available.

THE EPLI POLICY WILL PROTECT YOUR BUSINESS FROM CLAIMS ARISING FROM:

- Employee Termination
- Discrimination
- Harassment, such as unwelcome sexual advances or conduct of a sexual or non-sexual nature that creates a hostile work environment
- Negligent hiring, supervision or promotion

Some policies, where permitted by law, cover punitive damages, which can greatly increase a liability judgment. Defense costs are included within the policy limit of liability.

After reviewing this information you may find that the E&O policy and the EPLI policy are to be seriously considered for your property management operation. Likewise, the EPLI policy may be appropriate for you to discuss with businesses that you manage.

The above article was written by Ken Peters of Ken Peters Insurance. For more information call 800-935-0165.