

So many restaurant owners in NC have not yet figured out that they face a huge liability risk that isn't covered by their general liability insurance or their [businessowners insurance policy](#). This risk is employment practices liability insurance and it is riding an eastward wave from the litigious environments of California and Texas. EPL Insurance, called EPLI is your best defense against this oncoming atrocity but very few restaurant owners in NC or SC have taken the time to understand or purchase protection. For those that have, this blog addresses a central question surrounding this protection. How much coverage to buy?

I want to start this discussion by advising you that in NC, EPLI is not yet a standardized policy. This means that the policy wording can be very different from one policy to the next. This lack of standardization means that you have to be very careful when you purchase EPLI to be sure that you know exactly what you are and what you aren't buying.

When it comes to purchasing EPLI, there is an easy way out that I tend to think of as the lazy man's approach. And I don't recommend it. Many insurance companies are now offering some EPL protection as an add on endorsement to your businessowners policy. There are several problems with this approach. The main problem is that the limits offered by these endorsements are typically very low, sometimes as low as \$25,000 or less. The deductibles tend to be very high and the coverage language in the endorsement is often very restrictive. If you determine that you need employment practices liability insurance, and I think every business with employees does, then you should seek out a stand alone policy that will generally allow you to purchase broader coverage and higher limits.

So how much EPLI should you buy? The answer is as much as you can afford. Unlike say, having your building burn down, the limit of loss you face with a discrimination or sexual harassment claim can be nearly unlimited. And most EPLI policies have a limit that is a per year aggregate. That means each claim that you have reduces the amount of insurance you have ready for the next claim. And often, one successful claim by a disgruntled employee can lead to another by a different employee. You must have enough insurance to weather these claims if and when they come.

Another reason for needing higher liability limits with EPLI than you might at first think is the fact that, unlike with your businessowners liability policy, where defense is unlimited and outside of your policy limits, with an [employment practices liability insurance policy](#), defense expenses draw down on your policy limit. And often, defense is the biggest expense of the claim. You must defend yourself from these claims and you have to make sure that you have enough

coverage in place to do this.

One more reason for purchasing high limits is that you want to keep your defense team in the game the whole way. With lower limits you could run out of coverage and then have to change lawyers midstream as you start paying out of your own pocket. This lawyer change could negatively affect the outcome of your case and cost you even more money in the long run.

I have heard the argument made that if your employees don't think you have this protection then they are less likely to sue you since they won't believe there is as much there to take from you. There may be a grain of truth in this argument, and if you believe it, then buy the coverage and don't let them know you have it. This will be much safer than paying for defense costs out of your pocket, not to mention the costs of the settlement.

EPLI is a relatively new but extremely important insurance policy that no restaurant owner should be without. If you aren't currently using an agent with extensive experience in restaurant insurance, perhaps you should rethink your choices. [Clinard Insurance Group](#), an independent insurance agency in Winston Salem, NC has a great deal of experience with restaurant insurance. We insure over 100 different restaurants all across NC and SC. If we can be of help to you with your restaurant insurance policies, please give us a toll free call at 877-687-7557 or visit us on the web at [www.TheRestaurantInsuranceStore.com](http://www.TheRestaurantInsuranceStore.com)