

Why Clients Of A PEO Need Their Own EPL Insurance

THE PROBLEM

Professional Employer Organizations/Employee Leasing Firms (PEO's) often carry Employment Practices Liability Insurance (EPLI) that extends to cover their client companies as well. However, by relying on the PEO's EPLI plan, your client loses control over the policy terms and conditions. While the EPLI offered through a PEO might be a cost effective way to obtain some coverage, these policies typically do not provide the robust coverage available through stand-alone policies.

THE SOLUTION

PEO clients should consider carrying their own coverage in addition to any protection provided to them by the PEO. Following are some of the benefits of carrying their own policy:

- Many PEO EPLI policies have high client retentions, often \$50k or more.
- If a client is switching from their own policy to EPLI under a PEO plan, the PEO plan may not pick up prior acts for wrongful employment practices occurring prior to the client becoming part of the PEO.
- If a client moves out of a PEO, the EPLI policy ceases providing coverage. Tail coverage may not be available, and depending on the situation, it may be difficult to buy a new policy that covers prior acts.
- PEO EPLI policies often include third party coverage for the PEO only and not for their clients (i.e. your client)
- PEO EPLI policies tend to exclude wage/hour and immigration claims coverages.
- PEO EPLI policies often do not include coverage for subsidiaries of the client.
- PEO EPLI policies often do not cover non-compensated officers.
- While, PEO EPLI policies may have a per client limit, they also have a policy aggregate, meaning claims by other clients of the PEO may reduce limits available
- The PEO works with the carrier to handle a claim, giving your client little control or say in the selection of the firm or the settlement process.
- Some PEO EPLI policies exclude failure to comply with policies and procedures in the employee manual.
- The PEO programs often do not provide meaningful loss control services, or the client may not be able to access those services.
- Clients often obtain premium savings by combining EPLI coverage with other coverages such as Directors & Officers Liability, Fiduciary Liability, and Crime.

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Ryan Apgar, RPLU

Executive Vice President

Main: (415) 796-0600

Direct: (415) 796-0615

Mobile: (925) 216-3922

rapgar@sociusinsurance.com

www.SociusInsurance.com

1350 Carlback Avenue, Suite 100

Walnut Creek, CA 94596