



# ***A Lethal Combination...***

A Company can be Financially Devastated when a Savvy Trial Lawyer Teams up with a Disgruntled Employee to File an Employment Practices Related Lawsuit.

*Take steps to protect your client by purchasing  
**Employment Practices Liability Insurance**  
through **Rockwood Programs, Inc.***

## ***Here are Examples of Expensive Employment-Law Myths ...***

### **Myth #1: Employees are “exempt” if they are paid a salary.**

Payment of a “salary,” however, is only one of many requirements to create an “exempt” employee. So, while state and federal rules regarding overtime, meal & rest periods, and similar wage/hour laws do not apply to “exempt” employees, don’t assume that someone paid a “salary” is exempt. Mistakes are expensive—unpaid overtime, interest, penalties, and more!

### **Myth #2: Employees on “probation” can be terminated easier.**

Many employment laws apply on the first day of employment. Since at-will employees are always on probation, having a defined “probationary” period actually hurts the employer and can limit its right to terminate a poor performer.

### **Myth #3: You don’t have to pay an employee who works from home, after hours, without being asked to do so.**

A non-exempt employee must be paid for all hours worked whether you authorize the time or not. Therefore, a non-exempt employee who works 40 hours per week and extra hours at home answering emails may have a legitimate overtime claim. Even if their work at home doesn’t result in overtime, they would have an unpaid wage claim.

### **Myth #4: If I hire someone on a short term basis, I can “1099” them.**

1099 refers to the IRS form used to document monies paid to an independent contractor. If you pay someone to fix your roof, they are an independent contractor. However, an employee is just that, an employee, and must be paid through payroll and issued a W-2 at year end. Misclassifying someone as an independent contract can result in substantial penalties, back taxes and benefit plan implications.

### **Myth #5: My employees are like family...They would never sue me.**

Even if your employees feel a part of your family, family members sue each other all the time. Employers assume their employees (or former employees) would never file a lawsuit against them. This assumption is not based on fact. The fact is that small employers are vulnerable to employment claims. Recent statistical data shows that a plaintiff will win an employment lawsuit filed in state court about 67% of the time.

While verdicts exceed \$1 million frequently, the most likely verdict will range from \$41,250 to \$197,500. This may cripple a small business.

## ***Here are examples of the damage a lawsuit can have on a small business ...***

A small construction company paid \$225,000 in a same-sex harassment case. The victims in this male-on-male harassment case claimed they were subjected to a hostile work environment when their employer failed to respond to complaints of unwanted physical contact and offensive comments.

An Illinois gas station paid \$250,000 to settle sexual harassment claims against the husband of a former employee. The EEOC said that the women employees were subjected to fondling, sexual comments and sexual intimidation by their manager’s husband, who performed odd jobs at the station.

A small family-owned business will pay \$325,000 to settle a sexual harassment suit brought by the EEOC on behalf of several former employees. The suit contended that the employees were constructively discharged (forced to resign) due to the sexually charged, hostile work environment created by several co-workers.



# Take the Steps to Protect your Business with Employment Practices Liability Insurance From Rockwood Programs

## Rockwood Programs EPLI Coverage Highlights . . .

- *Full Prior Acts Included*
- *Supplemental Defense Costs included (Up to a \$1,000,000 limit)*
- *Third Party available for all classes of business (Up to a \$1,000,000 limit)*
- *\$100,000 sub-limit for wage and hour coverage*
- *Definition of Wrongful Employment Act includes Retaliation as well as Discrimination, Wrongful Termination, and Harassment*
- *Definition of Employee now includes Leased Workers (certain restrictions apply)*
- *No Failure to Make Partner Exclusion*
- *Rockwood Guardian Program available for businesses with 15 employees or less.*

Rockwood is also proud to provide you with HR services to help you comply with confusing employment laws. There is **NO COST** to use this service provided by our partner, **YourHRdepartment, Inc.** Remember, even though you purchased EPL insurance, employment claims still drain valuable time from your business and send the wrong message to your other employees.

This HR service provides a “one-stop” HR management system that recognizes both the state and federal employment laws. Compliance with both state and federal laws is fast and easy. This service is designed to help you save time and money while you manage your employees effectively. You will find step-by-step HR procedures and compliance forms in a user-friendly environment. **YourHRdepartment** also provides an unlimited HR hotline to answer your questions. Rockwood Programs, Inc. and your insurance agent want to provide you with every tool possible to help you achieve your business objectives.



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