



Employment Practices Liability Report

A complex risk landscape

The modern workplace is transforming at a pace few could have predicted. From hybrid and remote work arrangements to new technology and shifting regulations, employers are balancing innovation with increasing scrutiny. As organizations adapt to these changes, they must navigate a landscape filled with both opportunity and risk.

At the center of this transformation lies the growing complexity of employment-related liabilities – and with it, heightened exposure to claims such as workplace harassment, discrimination, and wage-related disputes, along with emerging risks like employee data privacy and the use of artificial intelligence (AI).

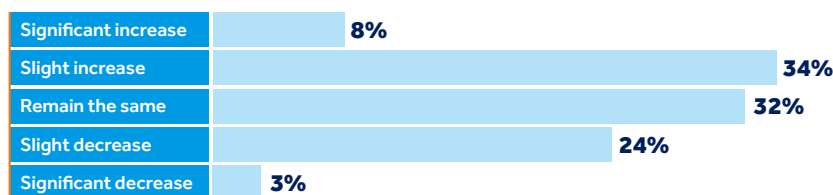
This report examines the key drivers of Employment Practices Liability (EPL) exposures and assesses the impact of changing workplace dynamics. It also explores how companies are leveraging EPL insurance – both in coverage design and as a broader risk management tool – to stay ahead of today’s workforce realities. Based on a survey of 200 legal and HR professionals at organizations with annual revenues between \$500M and \$5B, the findings offer practical insights into where vulnerabilities exist and how organizations are adjusting their strategies.

Employment-related claims persist as new exposures emerge

As employment risks become more complex, organizations are balancing progress with protection – finding ways to move forward and grow without increasing their liability. As employers manage return-to-office transitions, implement new technologies, and navigate workplace policies, the survey findings confirm that today’s shifting workplace dynamics are impelling employment-related risks and claims.

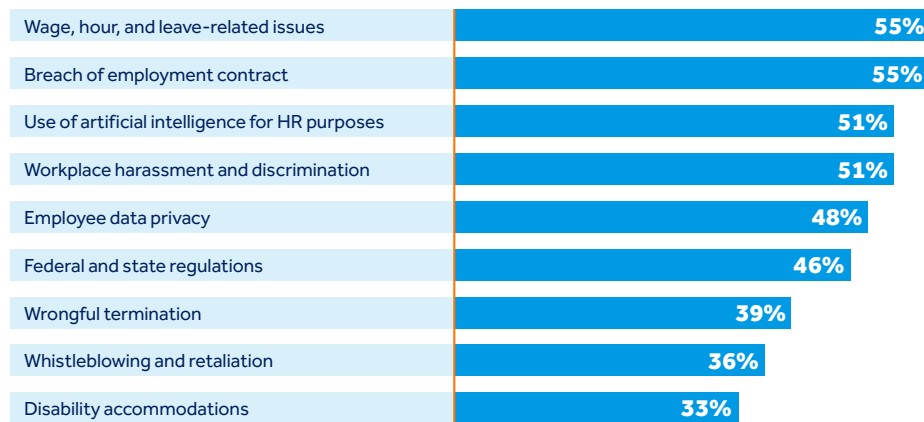
In the past 12 months, 69% of legal and HR professionals said their organization experienced claims made by employees alleging discrimination, harassment, retaliation, or other employment-related issues. Looking ahead, 42% of respondents expect the frequency of employment-related claims at their organization to increase over the next year.

Expectation for the frequency of employment-related claims in the next 12 months



Employers are facing both persistent and emerging employment practices exposures. Respondents believe wage, hour, and leave-related issues (55%); breach of employment contract (55%); use of artificial intelligence for HR purposes (51%); and workplace harassment and discrimination (51%) are areas that will most likely to lead to employment-related claims at their organizations in the next 12 months.

Areas most likely to lead to employment-related claims in the next 12 months



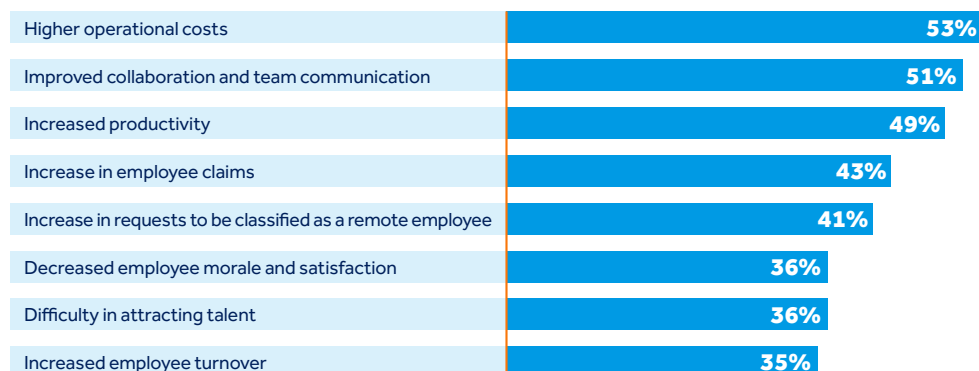
Wage, hour, and leave-related issues are top exposure areas amid growing state-level legislation on paid leave and stricter enforcement of wage-and-hour laws. Meanwhile, the increased use of AI in HR has raised new legal and ethical questions around bias, transparency and compliance.

The growing use of AI is a compelling example. A large majority of respondents (84%) said their organizations currently use AI for tasks such as screening resumes and reviewing performance and another 11% said they plan to implement AI tools for these purposes in the next 12 months. Because AI systems are trained on historical data, there's a risk that algorithmic bias could emerge – leading to claims under Title VII of the Civil Rights Act which prohibits employment discrimination based on race, color, religion, sex and national origin.¹ These risks are especially pressing in areas that have enacted or are considering AI-related regulations. Overall, 72% of respondents are concerned about the risks associated with using AI for HR purposes such as screening resumes and reviewing performance. Fifty-seven percent are somewhat concerned and 15% are very concerned, while 23% are not too concerned and 6% are not concerned at all.

Another area that has received attention recently is diversity, equity and inclusion programs. While the intention of these initiatives is to foster more diverse and inclusive work environments, a number of lawsuits are alleging reverse discrimination – claiming that the hiring or promotion of individuals in minority or underrepresented groups has disadvantaged individuals in majority groups. Overall, 69% percent of respondents are concerned about claims or litigation related to their organization's diversity, equity and inclusion programs in the next 12 months. Fifty percent are somewhat concerned and 19% are very concerned, while 25% are not too concerned and 7% are not concerned at all.

Return-to-office policies may also be contributing to EPL risk. Eighty-four percent of respondents said their organization requires employees to work on-site at least three days per week, and 43% reported that their organization's return-to-office policy is driving an increase in employee claims.

Impact of return-to-office policies



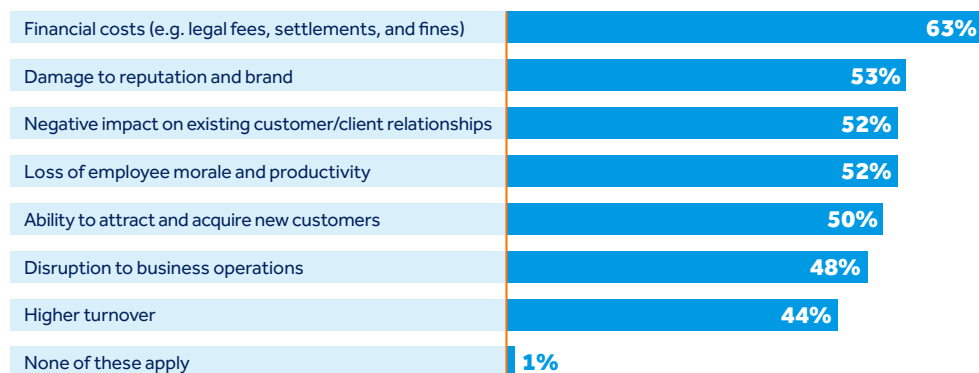
¹ <https://www.eeoc.gov/statutes/title-vii-civil-rights-act-1964>

The survey findings affirm that changing workplace dynamics and evolving employee expectations are increasing employment-related legal risks. Employers are being tested in new ways that were not on the radar a few years ago, creating heightened exposures across multiple fronts.

Employers are feeling the broader business impact of these issues more than ever. Nearly two-thirds (63%) of respondents believe financial costs – such as legal fees, settlements, and fines – are the most significant consequence. Other significant impacts include damage to reputation and brand and loss of employee morale and productivity.

While financial costs are often the most visible consequence of employment-related claims, the long-term toll that can ripple through the workplace culture – poor morale and increased turnover – can be just as damaging, and is often underestimated. According to respondents, the amount of time it typically takes to resolve an employment-related claim at their organization varies: three to six months (61%), less than three months (22%), six months to 12 months (17%), and 12 months or longer (1%).

Impact of employment-related claims and litigation on organizations

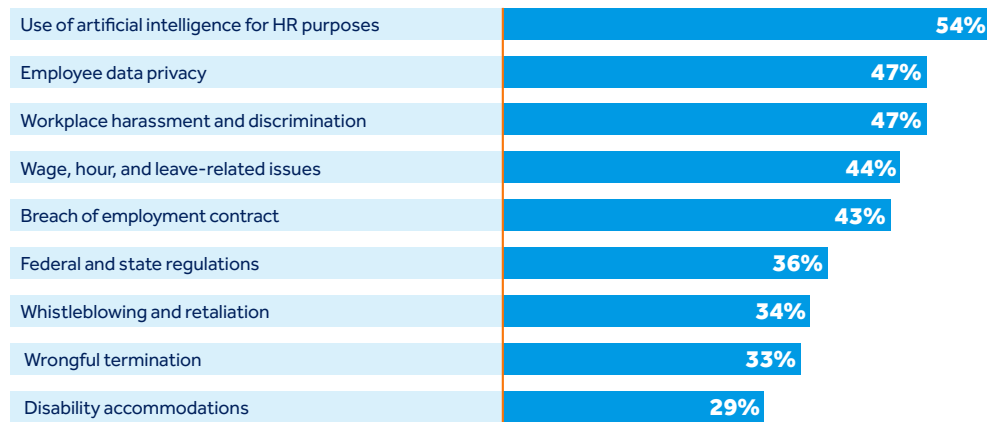


Risk management priorities

Seventy-two percent of respondents are mostly or completely confident in the effectiveness of their organization's risk management practices to prevent actions that could lead to employment claims. While this level of confidence is encouraging, it may suggest a false sense of security.

Many respondents anticipate an increase in employment-related claims over the next 12 months – driven by both persistent issues and emerging risks – which suggests that existing employee practices may not be sufficient. Employee education and training remains one of the most effective tools for preventing employment-related claims. Respondents believe employee education and training should be strengthened most in these areas: use of artificial intelligence for HR purposes (54%), employee data privacy (47%), and workplace harassment and discrimination (47%).

Areas that require more employee education and training to prevent and mitigate potential claims and litigation



Using EPL insurance as a strategic risk management tool

EPL insurance is proving to be more than just a safety net – many companies now view it as a key component of their broader risk strategy. Among respondents whose organizations have EPL insurance, in the next 12 months, 60% intend to adjust deductibles or premiums, 57% plan to update coverage to reflect new legal requirements, and 51% aim to add coverage for specific risks.

While the survey underscores the value of EPL insurance in reducing the financial impact of employment-related claims and litigation, it also highlights the importance of risk management services offered by some insurers to help proactively mitigate these risks. Among respondents who have EPL insurance, the most common value-added services included in their coverage are comprehensive risk management assessments (60%), employee training programs (60%), and support for managing workforce reductions or layoffs (59%).

Among respondents whose organizations do not have EPL insurance, the top reasons for choosing not to purchase it include already having adequate coverage through other policies (60%), believing internal risk management efforts are sufficient (59%), and the perception that the level of risk does not justify purchasing EPL insurance (57%).

Organizations that have EPL insurance are updating their policies to address new and emerging risks. As risks related to AI, data privacy, and workplace culture continue to evolve, organizations that lack dedicated EPL insurance that explicitly covers employment-related claims could be leaving themselves exposed. It's important that organizations review their coverage to ensure the protection aligns with today's complex and shifting risk landscape.

Opportunities for improvement

Overall, the survey data indicates a high level of confidence among respondents in their employment-related risk management practices. However, today's evolving workplace policies, the growing use of AI in HR functions, and a continually shifting regulatory landscape may suggest that this confidence is, in some cases, misplaced.

Recognizing ongoing risks and committing to continuous improvement is essential to overcoming potential complacency. EPL insurance plays a meaningful role in this effort. Many organizations view the coverage as a financial safety net and a central component of their broader risk management strategy. Depending on the insurer, an EPL policy may also include value-added services designed to strengthen employment practices and reduce the frequency of claims – providing not only protection, but proactive support.

To prevent and mitigate employment-related exposures, organizations should develop comprehensive employment policies, establish clear communication channels for employees to raise concerns, ensure that all complaints are investigated promptly, implement employee education and training programs, and conduct regular audits of employment practices to identify gaps and opportunities for improvement.

Survey methodology

The survey was conducted by Wakefield Research among 200 legal and HR professionals with a minimum seniority of Director, at organizations with an annual revenue of between \$500M and \$5B, between May 8, and May 20, 2025, using an email invitation and an online survey. Quotas set for 100 legal professionals and 100 HR professionals. Quotas were also set for 100 respondents with EPL insurance and 100 without.

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