AMERICAN
MANAGEMENT
CORPORATION
INSURANCE SERVICES

Thinking. Ahead.

Does Insurance cover punitive damages ?

- The insurance policies offered by your agent do not exclude punitive damages but coverage is available only where allowed by law.

- Some states hold that allowing punitive damages to be insured diminishes its ability to deter behavior since the insurance company not the offender is paying the damages.

- California, New York, Florida, Colorado and several other states do not allow the insurance for directly assessed punitive damages for a list of states go to www.eprma.org.

- Make sure that you are not exposed is to train your managers and supervisors and be able to prove that you did.

Punitive damages are designed to deter bad behavior
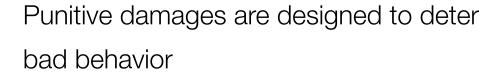
Damages, in plain English are the amounts of money defendants pay claimants when they lose lawsuits. Some of the awards are to compensate for the economic losses suffered by the claimant such as medical bills or the cost of replacing damaged property. Sometimes the amounts are for pain and suffering - more difficult to measure but avery real none the less. Punitive damages are assessed to induce the defendant to stop its bad behavior or recklessness. Often the punitive damages is much larger than the actual economic damages. Punitive damages are a significant factor in Employment Practices cases. Statistics show that in cases that go to verdict nearly one third involve punitive damages which involve 75% of the total award.

Management training is the key.

On both a Federal and State level the courts have determined that the best way to mitigate the risk of punitive damages is to train your managers and supervisors. The logic of the courts is that employers cannot be expected to control the actions of all employees. If harassment and discrimination occur they may liable for economic damages but, if they can prove that they made a good faith effort to discourage objectionable behavior by adopting correct policies and by *training managers, supervisors and corporate officers* they may not be assessed punitive damages .

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