

Business Standard

Saturday, November 30, 2013 | 11:56 AM IST

India Inc rushes for cover against harassment suits

Legal fees in such cases can go up to Rs 4-5 cr

Tarun Tejpal and Phaneesh Murthy have increased the headache for India Inc in more ways than one. Leading companies are rushing to take insurance cover that would cover the legal expenses of sexual harassment and other employee-related suits.

The legal fees in such cases can go up to as high as Rs 4-5 crore. The push for taking increased cover is coming mainly from independent directors on the boards of companies as more employees are coming forward to sue their employers and directors ranging from sex harassment to wrongful discrimination.

Earlier, only those Indian companies which had significant presence in the US took such covers. Insurers say many companies are realising that it's better to take added insurance cover for sexual harassment which comes as an additional cover in the Directors and Officers Liability Insurance policy.

V Ramakrishna, MD of India Insure Brokers, says apart from D&O cover, Indian companies have the option of taking employment practices liability insurance (EPLI) which covers alleged wrongful acts including harassment, wrongful termination and discrimination. "In India, employees are still not aggressive while suing their employers as in the US. But the awareness to get insurance cover is rising very fast," he adds.

Insurers say there is more awareness among top-rated Indian companies as they are getting globalized, and media coverage of harassment and rape cases are increasing.

In case a company director is convicted by a court of wrongdoing, then the insurance company does not pay out any money and recovers it from the convict. In the sex harassment case involving Murthy, the insurance company agreed to pay part of the compensation for an out-of-court settlement as the final compensation and legal fees could have been higher if the case was prolonged.

Insurers say it is very important to understand that they pay legal fees only in those cases where they expect the director to be proved innocent by a court of law.

K K Mishra, CEO of Tata AIG General Insurance, says before issuing a D&O policy, they are making it sure that the proposal form is signed by either the CEO or CFO of a company. "When a

CEO or a CFO signs on the proposal form for a D&O policy, they will make sure that proper guidelines and systems are in place in the organisation which would minimise such cases. But above all this is a matter of right behaviour of the top management."

http://www.business-standard.com/article/companies/india-inc-rushes-for-cover-against-harassment-suits-113112900807_1.html