

Workers' Compensation Laws and the Local Church







Should Our Church Purchase Workers' Compensation Insurance?

Workers' compensation laws exist in all states. They are designed so medical and disability benefits for a work-related accident, injury, or illness can be paid promptly without expensive legal fees to determine fault. Medical benefits have no dollar or time limits, and cash benefits are paid for lost wages due to impairment or disability. In severe cases, medical and vocational rehabilitation benefits may be provided.



A few states exempt churches from workers' compensation coverage, and several exempt all nonprofit employers. A few others exempt any employer, including churches, having fewer than two or three employees. However, the majority of states have compulsory participation laws.

What If the Church Does Not Have Workers' Compensation Insurance?

Unless specifically exempted by law, church employers are subject to workers' compensation laws. Unfortunately, some churches assume they are exempt and do not secure the insurance. However, such an assumption does not protect a church from full liability in the event of a claim for benefits.

Work-related injuries or illnesses among church employees are not as rare as some think. In fact, in one state, workers' compensation coverage was extended to include volunteers working under the supervision of a church employee. In this specific situation, a volunteer was injured while donating labor during a building project. Expenses for medical treatment and lost wages made it necessary for the individual to seek help through a workers' compensation claim. Since the church had no worker's compensation coverage, once general liability coverage limits were exceeded, the church was liable for the balance of the benefits.

In some cases, general liability coverage may prevent the need for the injured person or family members to bring court action; however, it is not unusual for churches to fail to review and maintain adequate levels of coverage.



CAUTION

Most states do not exempt churches from workers' compensation laws.

Lack of insurance coverage will not protect a church from liability in the event of a claim for work-related injuries or illnesses.



IDEA

Seek a professional to help evaluate your church's need for workers' compensation insurance.

Churches and the View of the Courts

THE PREVAILING VIEW OF THE COURTS CAN BE SEEN IN ONE COURT'S RULING:

“The fact that (a religious organization) is a purely charitable enterprise does not of itself release it from the obligations of our Workers' Compensation Act, which unlike the acts of some states, does not exempt charitable or religious institutions, as such, from its operation, nor exclude their employees from its benefits. Where the relationship of employer and employee actually exists between a charitable institution and an injured workman, the latter is entitled to the benefits of our act, otherwise not.

[Schneider v. Salvation Army, 14 N.W.2d 467,468 (MINN 1944)].



Should Our Church Purchase Workers' Compensation Insurance?

This answer requires careful research into applicable state laws. If legal exemption does not exist, compliance with the law may require insurance that is purchased or it may allow self-insurance. Under the latter option, professional assistance is a must to determine the appropriateness and risks of self-insuring workers' compensation coverage. If legal exemption does exist, the church should still determine what would happen if an employee were to be injured on the job. It should decide if the limits under general liability coverage are high enough to cover large losses or if the church should voluntarily purchase workers' compensation coverage. These concerns should not be ignored. Unfortunately, too often they are discussed in an emotional



REMEMBER!

Research the state laws that affect your church.

setting after an injury has occurred. Some churches have discovered too late that it is more expensive to pay the continuing salary of a recovering employee than it would have been to pay for adequate insurance.

The following is a true example of what can happen. It is an excerpt from a letter responding to some of these very issues.

We here in the Church of the Nazarene (a local church) are going through some very turbulent waters in the very matters of which you speak. The church hired a janitorial service. The persons owning the service were members of the church, and it was agreed that they would do the cleaning services.

The wife of the manager of the cleaning service fell, and since that time, we have been in constant turmoil in trying to sort out the details of the hiring and services to be rendered.

Board minutes and other important documents were not filed properly, and so the investigation goes on without any real direction because the basis on which they were hired was not recorded. I say all of this to stress the point that we must be diligent both in preaching and administrative leadership. It is not enough anymore to operate with verbal agreements and unwritten contracts. Our church has suffered much through this experience, and it has been a tremendous burden on my heart and ministry. I have pastored most successfully for 36 years and never faced this kind of storm before. I sure hope pastors will take heed and know where they are going.

In Closing...

The leadership of every church should regularly consider the responsibilities it bears toward caring for employees while providing financial protection for the church. With this in mind, every church should explore the possibility of obtaining workers' compensation coverage. We recommend you discuss this matter with an attorney or insurance vendor who is familiar with the laws of your state.

The information contained in this memo series is of a general nature reflecting USA Nazarene Church polity.

It is not offered as specific legal or tax advice. Each person, local church board, and district should evaluate their own unique situation in consultation with their local legal and tax advisors.



SERVING THOSE WHO SERVE

Other NBUSA Memos That May Be Helpful

- #1:** Housing for Your Pastor: Parsonage or Housing Allowance?
- #2:** Church Employees or Independent Contractors?
- #3:** Tax and Reporting Procedures
- #4:** Strategies for Structuring Ministerial Compensation
- #5:** Minimizing Income Taxes for Church Employees
- #6:** Housing Allowance in Retirement
- #7:** Financially Caring for the Minister
- #8:** The Annual Church Audit
- #9:** Workers' Compensation Laws and the Local Church
- #10:** Can Ministers Opt Out of Social Security?
- #11:** Auto and Other Business Expense Reimbursements
- #12:** Who Is a Minister for Tax Purposes?
- #13:** The Minister's Housing Allowance

SCAN QR CODE

To browse the entire
NBUSA Memo series.



NBUSA
Nazarene Benefits

17001 Prairie Star Pkwy, Lenexa, KS 66220-7900
888.888.4656 | (FAX) 800.334.0634 | nbusa.org | benefits@nazarene.org