

Policy 3.2: Managing Legal and Financial Risks

Policy

The UUFC Treasurer, Trustees, and Finance Committee shall act to manage legal and financial risks to minimize liability. The overall management of this policy shall be shared with the Personnel, Human Resources, Religious Exploration, and Rental committees.

UUFC shall follow all current IRS regulations to maintain our 501(3)(C) status.

This policy was approved by the Board of Trustees December 13, 2010.

Procedures

Insurance

The Finance Committee will recommend to the Board of Trustees a comprehensive insurance plan that offers protection for the church's assets, liability coverage, and workers compensation. The Board of Trustees will appoint a designated person and backup for ensuring that coverage is adequate.

1. **Workers Compensation.** Churches are subject to worker's compensation laws in Oregon, and therefore it is required that all churches have worker's compensation insurance for all employees.

Any contractor hired by UUFC will be required to show proof of worker's compensation insurance coverage or equivalent business liability insurance for the contractor and all associated subcontractors *and* worker's compensation insurance for any employees of the contractor and subcontractors. Contractors without employees are not required to carry worker's compensation insurance on themselves, and sole proprietors seldom do. They do, however, need to have evidence of current business liability insurance sufficient to cover UUFC's exposure in case of accident or injury while the contractor is working for UUFC.

2. **Property Values.** Documentation will include a description of each building accompanied by photographs or videotape, a list of furnishings, and photographs of any particularly valuable or unusual items. In determining an adequate level of insurance, church officers need to consider what it would cost to rebuild church structures

comparable to all the buildings presently in use, and replace all furnishings (replacement cost).

- 3. Liability Insurance.** Liability limits will be secured to afford maximum protection while weighing the cost of the coverage. Liability insurance should include coverage for sexual misconduct and coverage for good-faith actions of volunteers as well as employees, because members of church decision-making boards (trustees, parish boards, personnel committees) are quite likely to be among the targets if a church is subject to legal action. Any contractor hired by the church will provide liability coverage as stated in the Workers' Compensation section (Item 1.).

Directors and Officers Liability Insurance offers protection for the UUFC Board of Trustees and any other "officer" as defined by the policy while acting within the scope of their duties.

Use of Church Buildings by Other Organizations

- a. The level of risk posed by the use of church buildings by other groups will be determined.
- b. A plan has been developed that includes protection for UUFC when we make our facilities available to any group, including informal interest or support groups, as part of our ministry to the wider community. Refer to the Rental Committee policies and procedures.
- c. When UUFC operates a child-care center or other business on its premises, these activities will be discussed in detail with the church's insurance agent/consultant in order to make sure that adequate coverage is in place for all operations.

Minimizing Legal Risks to the Church

While it is important to have adequate insurance, it is equally important to try to reduce the chance that the church will be exposed to a lawsuit in the first place.

Such legal action can be quite difficult and divisive for a congregation, even if monetary losses are minimal. Areas to consider include personnel policies, screening and supervision of volunteers and employees, physical hazards on the premises, policies concerning the use of church vehicles, copyright regulations, and environmental hazards (such as asbestos).

Minimizing the Risk of Sexual Abuse and Misconduct

Refer to policies and procedures of the Human Resource and Religious Exploration committees and staff.

Minimizing Legal Risks to Church Volunteers

In recent years a number of lawsuits have tried to impose personal liability on volunteer officers of churches. Areas of potential liability include the following:

- a. Liability involving injury to another's person or property. Examples include negligent hiring or supervision of an employee, copyright infringement, wrongful termination of an employee, and negligent operation of a motor vehicle.

A church officer is usually considered to be liable only for those decisions in which he or she is involved. If a church board member is uneasy with a decision of the board, it is wise to have this dissent recorded in the minutes of the meeting.

- b. Liability for contracts signed by the officer: If the officer signs a contract on behalf of the church without first being granted authority to do so by the governing board, the officer may be held personally liable for the contract.

Even if such authority has been granted, the officer must explicitly include on the document the church's name, corporate status, and the capacity in which he or she is signing (example: Signed by Mary Jones, Treasurer, for First Congregational Church of Smallville, an Oregon non-profit corporation) in order to avert the possibility of being held personally liable.

- c. Breach of fiduciary duty of care: A volunteer may be vulnerable to this charge if his or her inattention allows some kind of loss to occur.
- d. Willful failure to withhold payroll taxes or to pay withheld amounts to the IRS: This is a felony punishable by a fine of up to \$10,000 and/or imprisonment for up to 5 years (Section 7202, Internal Revenue Code). In addition, each officer involved can be personally liable for a penalty of 100% of the amount of tax evaded.