

HOUSE BILL REPORT

HB 1537

As Reported by House Committee On:

Financial Institutions & Insurance

Title: An act relating to credit union directors and committee members.

Brief Description: Protecting credit union directors and committee members.

Sponsors: Representatives Roach, Hatfield, Benson, Miloscia and Keiser.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/6/01, 2/9/01 [DPS].

Brief Summary of Substitute Bill

- A director or committee member of a credit union is exempted from personal liability for an act causing harm, provided the act 1) was performed within the scope of his or her official duties, 2) does not constitute a breach of fiduciary duty, 3) was neither criminal, nor wilful, nor grossly negligent, and 4) and was not committed during the operation of any vehicle requiring a license or insurance. The exemption does not apply with respect to harm caused to the credit union or a governmental entity.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Cairnes, DeBolt, Keiser, Miloscia, Roach, Santos and Simpson.

Staff: Thamas Osborn (786-7129).

Background:

State credit unions are governed by a board of directors that must have at least five, but not more than 15 members. The directors are elected by the credit union members at an annual meeting, and serve terms of between one and three years. Officers and employees of the credit union may serve as directors. By statute, board members are deemed to

stand in a fiduciary relationship to the credit union, and have specified duties stemming from this relationship.

A "supervisory committee" of at least three members must be elected at the annual membership meeting, to serve a term of three years. It is the duty of the supervisory committee to monitor both the financial condition of the credit union and the decisions of the board. Officers and employees of the credit union are prohibited from serving on the supervisory committee.

Summary of Substitute Bill:

Directors and committee members are made exempt from personal liability for harms caused by negligent acts or omissions, under the following conditions:

- 1) The act must have been performed on behalf of the credit union; and
- 2) The act must be within the scope his or her official duties; and
- 3) The act cannot constitute a breach of fiduciary duty; and
- 4) The act was neither criminal, nor wilful, nor grossly negligent; and
- 5) The act was not committed while he or she was operating any vehicle, vessel or aircraft
requiring either a license or insurance.

The liability exemption does not apply with respect to harms caused by employees of the credit union acting within the scope of their employment.

The exemption does not apply with respect to harms caused to the credit union or a governmental entity due the negligence of a director or committee member.

The substitute does not affect the liability of the credit union itself with respect to harms to any person stemming from the negligent acts of a director or committee member.

Substitute Bill Compared to Original Bill:

The substantive provisions of the substitute bill are identical to those of the original bill. The revisions involve minor changes in structure and the addition of some clarifying language.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: (Original bill) Board and committee members are volunteers who bear substantial risk of personal liability with respect to frivolous lawsuits. They are often named as parties in lawsuits against credit unions. This has chilling effect on willingness of qualified people to volunteer. Many persons are unwilling to serve due to fear of liability. Such volunteers are vital to the functioning of credit unions and should be protected against the risk of frivolous lawsuits. This bill exempts board and committee members from personal liability for negligent acts that are within the scope of their duties and which were done in good faith. However, credit unions should be vicariously liable for the acts of board and committee members

Testimony Against: None

Testified: (In support) Representative Roach, prime sponsor; Stacy Augustine, Washington Credit Union League; Robert B. Simpson, Metro Pacific Community Credit Union; Joseph T. McGuire, Tacoma Telco Credit Union; Gary Gardner, Boeing Credit Union; Elliot Gregg, Kitsap Community Federal Credit Union; and Larry Shannon, Washington Trial Lawyers.