

# HOUSE BILL REPORT

## ESB 5570

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### 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:** By Senators Prentice, Honeyford, Franklin and Kohl-Welles.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 3/27/01 [DP].

#### Brief Summary of Engrossed 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.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** 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.

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**Summary of Engrossed 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;
- 2) the act must be within the scope his or her official duties;
- 3) the act cannot constitute a breach of fiduciary duty;
- 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 bill 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.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** It is difficult to recruit credit union volunteers due to concerns about

being subject to frivolous lawsuits. Volunteers should not have to be concerned about being held personally liable and should not be put in the position of obtaining their own liability insurance. Frivolous lawsuits have created problems for some credit union volunteers. This bill will provide needed protection and will encourage volunteerism.

**Testimony Against:** None.

**Testified:** Mark Minickiello, Washington Credit Union League; and Bob Simpson, Metro Pacific Community Credit Union.