

SENATE BILL REPORT

ESB 5570

As Passed Senate, March 13, 2001

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

Brief Description: Protecting credit union directors and committee members.

Sponsors: Senators Prentice, Honeyford, Franklin and Kohl-Welles.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/13/01 [DP].

Passed Senate: 3/13/01, 48-0.

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Benton, Franklin, Hochstatter, Honeyford, Patterson, Rasmussen, West and Winsley.

Staff: David Cheal (786-7576)

Background: State and federal chartered credit unions are cooperatives, owned by their members. They are operated and managed by professional staffs within policy guidelines and directives set by directors and committees who serve without compensation. Directors and committee members are reimbursed for expenses incurred in connection with their duties. In the discharge of their duties, committee members and directors are very dependent on information supplied to them by credit union managers, and the advice of outside professionals.

Summary of Bill: Directors and committee members serving either a state or federal chartered credit union are not liable for harm caused by acts or omissions if (a) the director or committee member was acting within the scope of his or her duties, (b) was acting within the standard of care set for directors and board officers by statute, (c) the harm was not caused by willful or criminal conduct, gross negligence, reckless misconduct, flagrant indifference to the rights or safety of the individual harmed, and (d) the harm was not caused by the operation of a vehicle, for which a license is required.

The statutory standard of care for directors and board officers requires that they act in good faith, with the care an ordinarily prudent person would exercise in like circumstances, and in a manner the director or board officer reasonably believes to be in the best interests of the credit union.

A director or committee member's liability to the credit union, or to a governmental entity, is not affected. The liability of a credit union to individuals, including the negligence of a director or committee member, is not affected.

Liability for harm caused by employees acting within the scope of their employment is not affected.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Volunteers who serve on credit union committees and boards of directors should be free from concern over nuisance lawsuits arising from the responsible execution of their duties. This very narrow shield from liability will make it easier to recruit volunteers to fill these vital roles.

Testimony Against: None.

Testified: PRO: Gary Gardner, Boeing Employees Credit Union; Stacy Augustine, WA CU League; Rick Dahl, Reynold Longview Fed CU; Edgar Jones, CUPS; Terri McKee, Industrial CU.