WEST virginia legislature

2021 regular session

Committee Substitute

for

Senate Bill 81

By Senator Trump

[Originating in the Committee on the Judiciary; reported on February 12, 2021]

A BILL to amend and reenact §44D-1-105 of the Code of West Virginia, 1931, as amended; to amend and reenact §44D-8A-809 of said code; and to amend and reenact §44D-10-1008 of said code, all relating generally to the West Virginia Uniform Trust Code; correcting certain internal code references; adding certain cross references within the trust code; and modifying standard for trustee liability from “willful misconduct” to breach of fiduciary duty for consistency with similar trust law provisions.

Be it enacted by the Legislature of West Virginia:

ARTICLE 1. GENERAL PROVISIONS AND DEFINITIONS.

§44D-1-105. Default and mandatory rules.

(a) Except as otherwise provided in the terms of the trust instrument, this chapter governs the duties and powers of a trustee, relations among trustees, and the rights and interests of a beneficiary.

(b) The terms of a trust prevail over any provision of this chapter except:

(1) The requirements for creating a trust;

(2) The duty of a trustee to act in good faith and in accordance with the terms and purposes of the trust but subject to the provisions of ~~§44D-8A-901,~~ §44D-8A-809, ~~§44D-8A-1101~~ §44D-8A-811, and ~~§44D-8A-1201~~ §44D-8A-812 of this code;

(3) The requirement that a trust and its terms have a purpose that is lawful, not contrary to public policy, and possible to achieve;

(4) The power of the court to modify or terminate a trust under §44D-4-410 through §44D-4-416, inclusive, of this code;

(5) The effect of a spendthrift provision and the rights of certain creditors and assignees to reach a trust as provided in §44D-5-501 *et seq.* of this code;

(6) The power of the court under §44D-7-702 of this code to require, dispense with, or modify or terminate a bond;

(7) The power of the court under §44D-7-708(b) of this code to adjust a trustee’s compensation specified in the terms of the trust instrument which is unreasonably low or high;

(8) The effect of an exculpatory term under §44D-10-1008 of this code;

(9) The rights under §44D-10-1010 through §44D-10-1013, inclusive, of this code of a person other than a trustee or beneficiary;

(10) Periods of limitation for commencing a judicial proceeding;

(11) The power of the court to take action and exercise jurisdiction as may be necessary in the interests of justice; and

(12) The subject-matter jurisdiction of the court and venue for commencing a proceeding as provided in §44D-2-203 and §44D-2-204 of this code.

**ARTICLE 8A. WEST VIRGINIA UNIFORM DIRECTED TRUST ACT.**

**§44D-8A-809. Duty and liability of directed trustee.**

(a) Subject to subsection (b) of this section, a directed trustee shall take reasonable action to comply with a trust director’s exercise or nonexercise of a power of direction or further power under §44D-8A-806(b)(1) of this code, and the trustee is not liable for the action.

(b) A directed trustee must not comply with a trust director’s exercise or nonexercise of a power of direction or further power under §44D-8A-806(b)(1) of this code to the extent that the directed trustee is thereby directed knowingly to violate the laws or regulations of any jurisdiction applicable to the trust. The directed trustee may reasonably rely upon the advice of legal counsel to determine what actions would be consistent with, or contrary to, applicable law. Reasonable expenses incurred by the directed trustee in good faith for legal advice concerning an instruction from a trust director or a petition to the court for instructions shall be proper expenses of the trust.

(c) An exercise of a power of direction under which a trust director may release a trustee or another trust director from liability for breach of trust is not effective if:

(1) The breach involved the trustee’s or other director’s ~~willful misconduct~~ breach of fiduciary duty as set forth in subsection (b) of this section;

(2) The release was induced by improper conduct of the trustee or other director in procuring the release; or

(3) At the time of the release, the director did not know the material facts relating to the breach.

(d) A directed trustee that has reasonable doubt about its duty under this section may petition the court for instructions.

(e) The terms of a trust may impose a duty or liability on a directed trustee in addition to the duties and liabilities under this section.

**ARTICLE 10. LIABILITY OF TRUSTEES AND RIGHTS OF PERSONS DEALING WITH TRUSTEE.**

§44D-10-1008. Exculpation of trustee.

(a) A term of a trust instrument relieving a trustee of liability for breach of trust is unenforceable to the extent that it:

(1) Relieves the trustee of liability for breach of trust committed in bad faith or with reckless indifference to the purposes of the trust or the interests of the beneficiaries, subject to §44D-1-105 and §44D-8A-809 of this code; or

(2) Was inserted as the result of an abuse by the trustee of a fiduciary or confidential relationship to the grantor.

(b) An exculpatory term drafted or caused to be drafted by the trustee is invalid as an abuse of a fiduciary or confidential relationship unless:

(1) The trustee proves that the exculpatory term is fair under the circumstances and that its existence and contents were adequately communicated to the grantor; or

(2) The grantor was represented by an attorney not employed by the trustee with respect to the trust and the attorney provided independent legal advice.