



# Contracting for Projects Large and Small: A Primer

**RLI**<sup>®</sup>  
DIFFERENT WORKS

RLI Design Professionals  
DPLE 203  
August 21, 2019

*RLI Design Professionals is a Registered Provider with The American Institute of Architects Continuing Education Systems. Credit earned on completion of this program will be reported to CES Records for AIA members. Certificates of Completion for non-AIA members are available on request.*

This program is registered with the AIA/CES for continuing professional education. As such, it does not include content that may be deemed or construed to be an approval or endorsement by the AIA of any material of construction or any method or manner of handling, using, distributing, or dealing in any material or product. Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.



# Copyright Materials

This presentation is protected by US and International Copyright laws.  
Reproduction, distribution, display and use of the presentation  
without written permission of the speakers is prohibited.

© RLI Design Professionals

**RLI**<sup>®</sup>

**DIFFERENT WORKS**

# Course Description

“

Experience teaches you that the man who looks you straight in the eye, particularly if he adds a firm handshake, is hiding something.

”

- Clifton “Kip” Fadiman

For most design professionals, negotiating a professional services agreement is NOT the best part of a project. Some “solve” that problem by not having a contract at all, but we all know that’s not an ideal solution.

This course will provide considerations on writing contracts for all projects—  
from the smallest to the largest.

# Learning Objectives

## Participants in this session will:

- 1 Consider some key aspects of professional service agreements.
- 2 Identify some of the important concepts and provisions from standard industry documents.
- 3 Analyze issues not always addressed in standard industry documents.
- 4 Review other contracting and delivery methods undertaken by clients.

# Sample Standard Agreements



AIA



1

Updated regularly



2

Coordinated documents



3

Easy to modify



# Standard Terms

Entire Agreement	Suspension/ Termination	Certifications
Right of Entry	Changes or Delays	Third Parties
Standard of Care	Indemnification	Limitation of Liability
Hazardous Materials	Dispute Resolution	Ownership of Documents
Approvals	Consequential Damages	Billing and Payment
Compliance	Reliance	Site Visits

# Five Issues

Today we will focus on:



Scope of Services

Standard of Care

Right to Rely

Suspension/Termination

Indemnity



First Provision:

# Scope of Services

**RLI**<sup>®</sup>  
DIFFERENT WORKS



# Scope of Basic Services

## Scope of Basic Services Provision

Scope of basic services should address the following:

- 1** Basic Services that are provided
- 2** Services that may be provided for additional fee
- 3** Services not being provided

# Avoid Broad and/or Vague Language

Be wary of language that states:

Design firm will provide any and all  
design services necessary  
for the completion of the project.”



# Scope of Services

E500 - 2014 §1.01

“

[Design Professional] shall provide, or cause to be provided, the services set forth herein and in Exhibit A.

”

# Additional Services

AIA B101-2017 §4.1



Additional Services listed below are not included in Basic Services but may be required for the Project. The Architect shall provide the listed Additional Services only if specifically designated in the table below as the Architect's responsibility, and the owner shall compensate the Architect as provided in Section 11.2.





Second Provision:

# Standard of Care

**RLI**<sup>®</sup>  
DIFFERENT WORKS





# Standard of Care Defined

## Standard of Care for **Professionals**

Exercise the degree of skill and care ordinarily exercised by other **design professionals** practicing under similar circumstances.

\*Failure to meet this standard of care constitutes professional negligence

# Elements – Negligence Claim

Whether or not you owe a duty, and whether or not you met that duty of care is determined, in part, by the standard of care.

- 1** **Duty**    Duty of care
- 2** **Breach**    Violation of duty of care
- 3** **Causation**    Actual and proximate cause
- 4** **Damages**    Harm suffered

# Perfection is NOT required!

“

The undertaking of a [design professional] implies that s/he possesses skill and ability, including taste, sufficient to enable him/her to perform the required services at least ordinarily and reasonably well; and that s/he will exercise and apply in the given case, his/her skill and ability, his/her judgment and taste, reasonably and without neglect.

But the **undertaking does not imply or warrant a satisfactory result.** It will be enough that any failure shall not be by the fault of the architect.

There is no implied promise that miscalculations may not occur. **An error of judgment is not necessarily evidence of a want of skill or care, for mistakes and miscalculations are incident to all the business of life.**

”

*Coombs v. Beede*, 89 Me. 187, 188-89 (1896).

# Perfection is NOT required!

“

Architects, doctors, engineers, attorneys, and others, deal in somewhat inexact sciences and are continually called upon to exercise their skilled judgment in order to anticipate and provide for random factors which are incapable of precise measurement. The indeterminate nature of these factors makes it impossible for professional services people to gauge them with complete accuracy in every instance. Thus, just as doctors can't be certain that every operation will be successful...architects and engineers cannot be certain that a structural design will interact with natural forces as anticipated. Because of the inescapable possibility of error which inheres in these services, the law has traditionally required, not perfect results, but rather the exercise of that skill and judgment which can be reasonably expected from similarly situated professionals.

”

*City of Mounds View v. Walijarvi*, 263 N.W.2d 420 (Minn. 1978).

# Key Terms

Terms to look for

“Ordinarily”  
“Reasonable”  
“Same or similar”

“Ordinarily used or provided”  
“Same or similar circumstances”  
“Same locality”

Phrases to look for

# Standard of Care Sample Provision

AIA B101-2017 §2.2



The [Design Professional] shall perform their services consistent with the professional **skill and care ordinarily provided** by [Design Professionals] practicing **in the same or similar locality under the same or similar circumstances...**





# Standard of Care Sample Provision

EJCDC E-500 §6.01



The standard of care for all professional [services] and related services performed or furnished by [Design Professional] under this Agreement will be **the care and skill ordinarily used** by members of the subject profession **practicing under similar circumstances at the same time and in the same locality.**

[Design Professional] makes no warranties, express or implied, under this Agreement or otherwise, in connection with any services performed or furnished by [Design Professional].



# Red Flag Terms to Avoid

Terms to avoid

“Highest”  
“Best”  
“Superior”  
“First-Class”

“Highest standards in the profession”  
“Best professional standards”  
“Superior standard of care”

Phrases to avoid

# Policy Exclusions

## Contractual Liability

This Policy does not apply to any Claim(s):

as a result of **liability assumed by the Insured under any contract or agreement**. This Exclusion does not apply to liability for Damages that the Insured would have had in the absence of the contract or agreement.

# Policy Exclusions

## Express Warranties or Guarantees

This Policy does not apply to any Claim(s):

Based upon or arising out of any express warranties or guarantees. However, this Exclusion does not apply to a warranty or guarantee by the Insured that the Insured's Professional Services are in conformity with the standard of care applicable to that Professional Service.

# Quiz #1

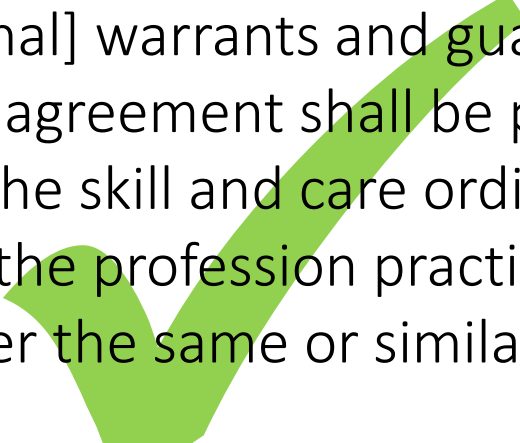
## Standard of Care Warranty Provision

The [Design Professional] warrants and guarantees that its services under this agreement shall be performed in conformance with the skill and care ordinarily exercised by other members of the profession practicing at the same time under the same or similar circumstances in the same locale.

# Answer #1

## Standard of Care Warranty Provision

The [Design Professional] warrants and guarantees that its services under this agreement shall be performed in conformance with the skill and care ordinarily exercised by other members of the profession practicing at the same time under the same or similar circumstances in the same locale.

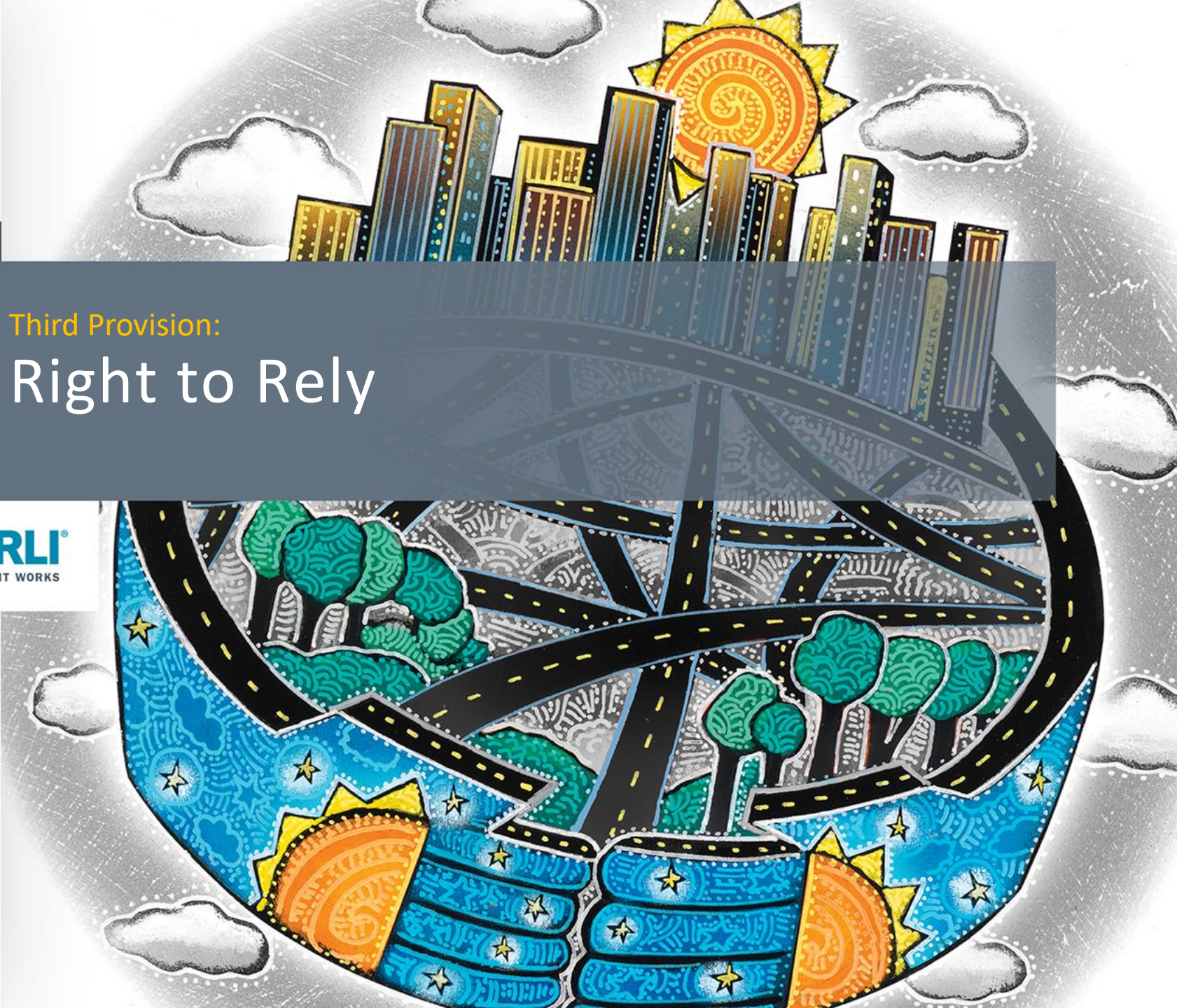




Third Provision:

# Right to Rely

**RLI**<sup>®</sup>  
DIFFERENT WORKS



# Right to Rely

## Establish Your Right to Rely

Clarify that you have the right to rely upon information furnished by or on behalf of your client. Otherwise, you may be inadequately compensated for changes that result from an unforeseen condition.

This becomes especially critical if you're taking over for a terminated design firm.

# Right to Rely

AIA B101-2017 §3.1.2

“

...The [Design Professional] shall be entitled to rely on, and shall not be responsible for, the accuracy, completeness, and timeliness of services and information furnished by the Owner and Owner's consultants...

”

# Claim Example

Metcalf Construction Company won a contract to design and build housing units for a Marine Corp Base in Hawaii.

Differing soil conditions caused Metcalf to incur more than  
**\$4.8 million in additional work.**

**Q15:** This requires an independent investigation after award. Should we infer from this that any unforeseen soil conditions or variances from the Government's soil report will be dealt with by change order?

**Answer:** Yes, if there's a major disparity from the Government's soil reconnaissance report.



Fourth Provision:

# Suspension and Termination Rights

**RLI**<sup>®</sup>

DIFFERENT WORKS



# Suspension and Termination Rights

## Suspension and Termination Provision

Suspension and Termination rights should address the following:

- 1** Your right to suspend or terminate services
- 2** Client's right to suspend or terminate services
- 3** Rights and obligations of the parties in the event of a suspension or termination.



# Right to Suspend

AIA B101-2017 §9.1



If the Owner fails to make payments to the [Design Professional] in accordance with this Agreement, such failure shall be considered substantial nonperformance and cause for termination or, at the Architect's option, cause for suspension of performance of services under this Agreement...



# Disclaimer

AIA B101-2017 §9.1



...In the event of a suspension of services, the [Design Professional] shall have no liability to the Owner for delay or damage caused the Owner because of such suspension of services. Before resuming services, the Owner shall pay the [Design Professional] all sums due prior to suspension and any expenses incurred in the interruption and resumption of the [Design Professional's] services. The [Design Professional's] fees for the remaining services and time schedules shall be equitably adjusted...



# Payment Upon Project Suspension

AIA B101-2017 §9.2



If the Owner suspends the Project, the [Design Professional] shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, the [Design Professional] shall be compensated for expenses incurred in the interruption and resumption of the [Design Professional's] services. The [Design Professional's] fees for the remaining services and the time schedules shall be equitably adjusted.



# Payment Upon Termination

AIA B101-2017 §9.6



If the Owner terminates this Agreement for its convenience pursuant to Section 9.5 or the [Design Professional] terminates this Agreement pursuant to Section 9.3, the Owner shall compensate the [Design Professional] for **services performed prior to termination, Reimbursable Expenses incurred, and costs attributable to termination**, including the costs attributable to the [Design Professional's] termination of consultant agreements.



# License

AIA B101-2017 §7.3



The [Design Professional] grants to the Owner a nonexclusive license to use the [Design Professional’s] Instruments of Services solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations under this Agreement, including prompt payment of all sums due pursuant to Article 9 and Article 11...If the [Design Professional] rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate.



# Case Law

LifeCare Hospice  
Client

Eberhard Architects, LLC  
Design Professional



Bogart Architecture Inc., et al.  
Client's Consultants,  
Contractors and  
Subcontractors

Design firm filed suit for infringement after Client and client's other consultants, contractors and subcontractors continued to use their Instruments of Services after the contract was terminated for Client's non-payment of fees.

# Terms of the Non-Exclusive License



Upon execution of the Agreement, the Architect grants to the Owner a nonexclusive license to use the Architect's Instruments of Service...provided that the Owner substantially performs its obligations, including prompt payment of all sums due, under this Agreement...If the Architect rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate.





Fifth Provision:

# Indemnification

**RLI**<sup>®</sup>

DIFFERENT WORKS





# Indemnification



We probably receive **more calls**  
**concerning indemnification provisions**  
**than any other single contract clause...**



ACS Lawyers

# Definition

## Indemnity:

Security against hurt, loss, or damage.

\*An indemnitor secures and indemnitee against hurt, loss, or damage.



# Common Issues

## 1 Overbroad Parties

Indemnified **parties** are unnecessarily broad.

## 2 Overbroad Claims

Indemnified **claims** are unnecessarily broad.

## 3 Duty to Defend

Duty to defend goes **beyond** the design professional's **damages** caused by **negligence**.

# Overbroad Parties

Limit the duty to indemnify  
to your client(s).

Clarify that this duty is owed only to your client(s).

**1**  
Overbroad  
Parties

**2**  
Overbroad  
Claims

**3**  
Duty to  
Defend

# Red Flag Words

Beware of terms/phrases such as:

“agents”

“representatives”

“affiliates”

“servants”

“members”

“insurers”

“lenders”

“consultants”

“subconsultants”

“contractors”

...or any such extended list of indemnitees

**1**  
Overbroad  
Parties

**2**  
Overbroad  
Claims

**3**  
Duty to  
Defend

# Overbroad Claims

## Limit the duty to indemnify to your negligence.

Clarify that the duty to indemnify only arises once your negligence has been established.

**1**  
Overbroad  
Parties

**2**  
Overbroad  
Claims

**3**  
Duty to  
Defend

# Over Inclusive Claims

## Over Inclusive for 2 Reasons:

- 1) No limitation on **scope of triggering events**
  - a) “Any” connection with;
  - b) Non-negligent acts; OR
  
- 2) No limitation on the **scope of liability**

1  
Overbroad  
Parties

2  
Overbroad  
Claims

3  
Duty to  
Defend

# Broad Scope of Triggering Events

Beware of terms/phrases such as:

Not directly caused by your negligence:

“arising out of/from”  
“in any way connected with”  
“regardless of”  
“whether or not caused by”  
“allegedly caused”  
“solely liable and responsible”

Not limited to negligent acts:

“intentional fraud or misconduct”  
“recklessness”  
“willful misconduct”  
“tortious misconduct”  
“intentional acts”  
“other improper conduct”

1  
Overbroad  
Parties

2  
Overbroad  
Claims

3  
Duty to  
Defend



# Broad Scope of Liability

Beware of terms/phrases such as:

“any,” “all” ... claims, etc.

“suits or causes of action”

“fines or penalties”

“attorneys’ fees and defense costs”

“other liabilities”

“other obligations”

“any other kind of expense”

**1**  
Overbroad  
Parties

**2**  
Overbroad  
Claims

**3**  
Duty to  
Defend

# Duty to Defend

## No duty to defend.

Steer clear of the duty to defend which arises regardless of any negligence.

---

### Duty to Indemnify

Arises **once negligence has been established.**

### Duty to Defend

Arises **regardless of negligence.**

1  
Overbroad  
Parties

2  
Overbroad  
Claims

3  
Duty to  
Defend

# Quiz #2

## Design Professional agrees to:

indemnify, defend and hold harmless the Owner, its officers, employees, agents and representatives from and against any and all claims, causes of action, damages, claims for damages, liability, loss, cost or expense, including reasonable attorneys' fees and expenses of litigation, arising out of or in any way related to performance of this Agreement by Design Professional, except claims arising from the sole gross negligence of the Owner.

# Answer #2

Design Professional agrees to:

indemnify, defend and hold harmless the Owner, its officers, employees, agents and representatives from and against any and all claims, causes of action, damages, claims for damages, liability, loss, cost or expense, including reasonable attorneys' fees and expenses of litigation, arising out of or in any way related to performance of this Agreement by Design Professional, except claims arising from the sole gross negligence of the Owner.

# Limit Liability to

1

Set Fee

**“not to exceed \$\_\_ amount.”**

shall not exceed the total amount of \$\_\_\_\_ or the total compensation received by Engineer under this Agreement, whichever is greater. Higher limits are available for an additional fee.

2

Contract Price

**“not to exceed contract price.”**

shall not exceed the total compensation received by Engineer under this Agreement.

3

Insurance Coverage

**“to the extent such provisions or indemnity is covered by the design professional’s professional liability insurance.”**

shall not exceed the total insurance proceeds paid on behalf of or to Engineer by Engineer’s insurers in settlement or satisfaction of Owner’s Claims under the terms and conditions of Engineer’s insurance policies applicable thereto (excluding fees, costs and expenses of investigation, claims adjustment, defense, and appeal).

# Limitation of Liability



To the fullest extent permitted by Laws and Regulations, and notwithstanding any other provision of this Agreement, the total liability, in the aggregate, of Engineer and Engineer’s officers, directors, members, partners, agents, employees, and Consultants, to Owner and anyone claiming by, through, or under Owner for any and all injuries, claims, losses, expenses, costs, or damages whatsoever arising out of, resulting from, or in any way related to the Project, Engineer’s or its Consultants services or this Agreement from any cause or causes whatsoever, including but not limited to the negligence, professional errors or omissions, strict liability, breach of contract, indemnity obligations, or warranty express or implied of Engineer or Engineer’s officers, directors, members, partners, agents, employees, or Consultants **shall not exceed the total amount of \$ \_\_\_\_\_ or the total compensation received by Engineer under this Agreement, whichever is greater. Higher limits are available for an additional fee.**





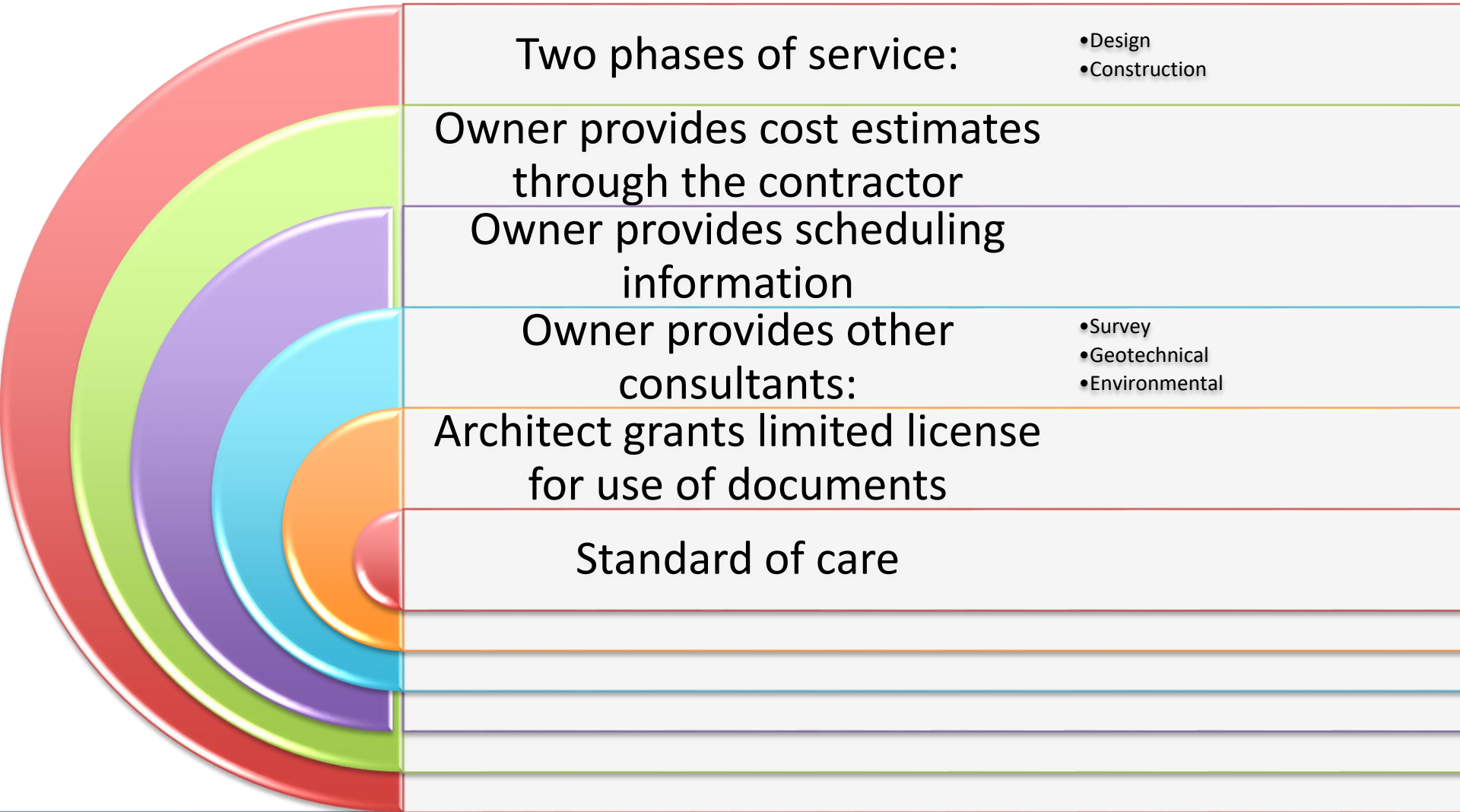
# Standard Industry Document Review

**RLI**<sup>®</sup>  
DIFFERENT WORKS





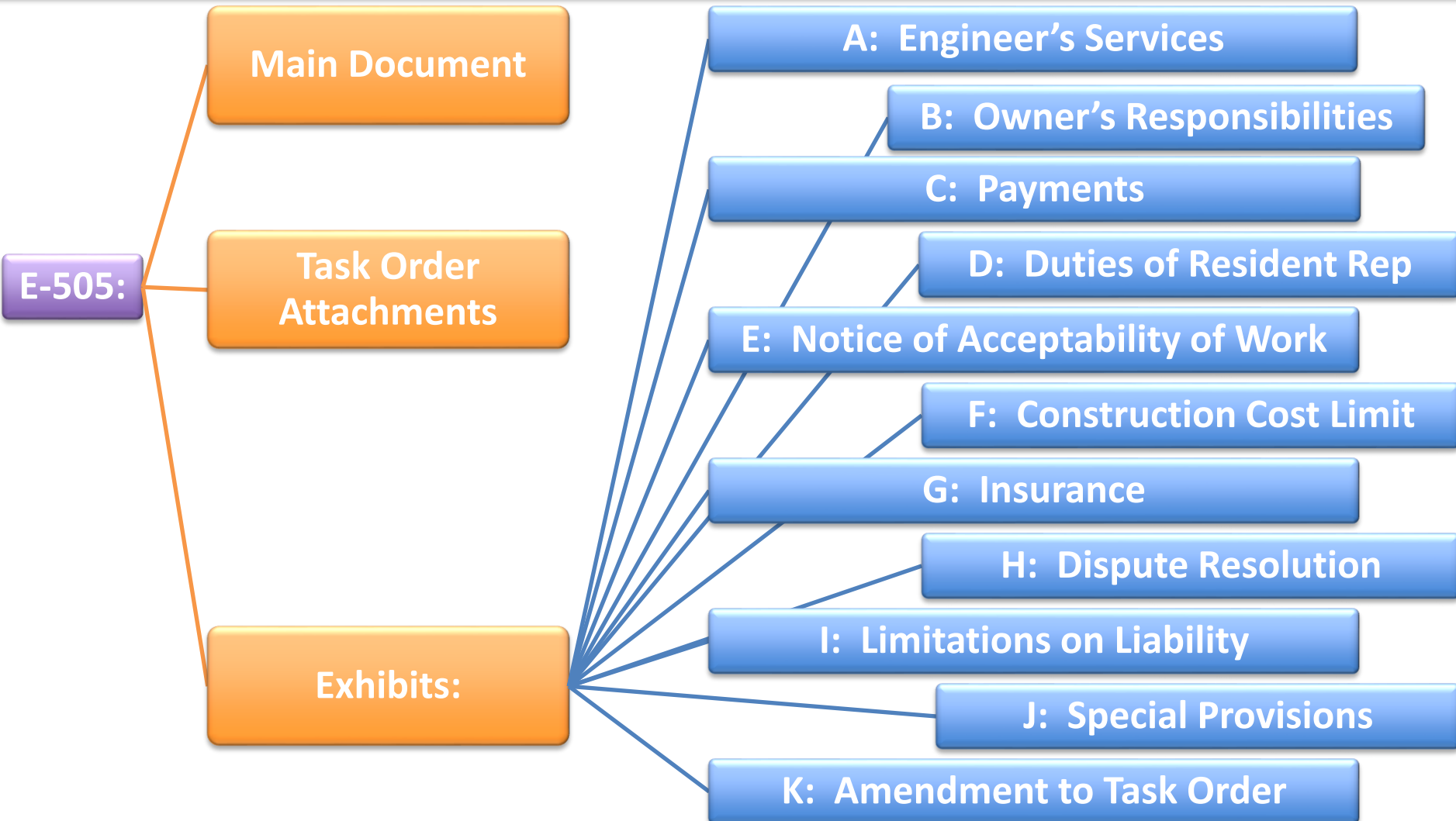
# Document Review: AIA B105



# Document Review: EJCDC E-505 (2014)



# Document Review: EJCDC E-505 (2014)



# Indefinite Delivery, Indefinite Quantity Contracts

Provide for an **indefinite quantity of services** for a **fixed time**.

Used when the **Owner can't determine**, above a specified minimum, the **precise quantities of services** that will be required during the contract period.

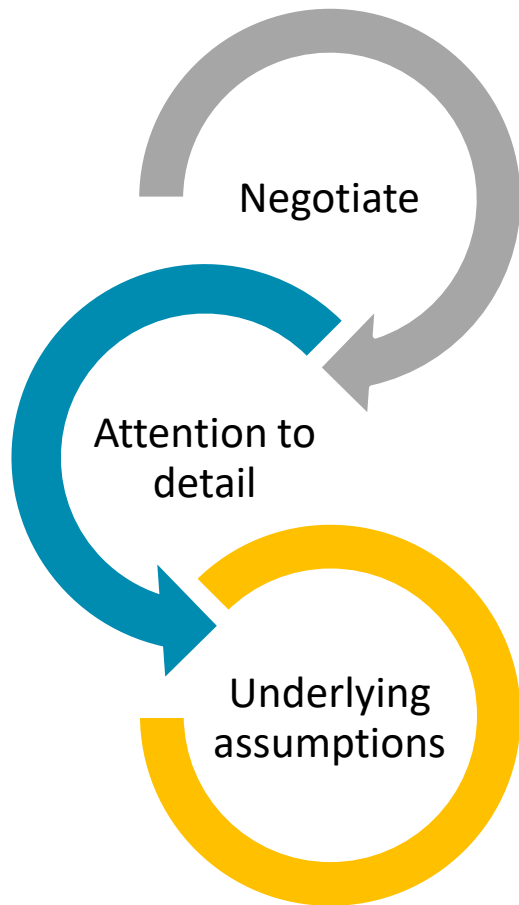
Help **streamline the contract process** and speed service delivery.

Awards are often for **base years + option years**.

Owner places **task orders** against a basic contract for individual requirements.

**Minimum and maximum quantity limits** are specified in the basic contract as dollar values.

# Final Drafting Considerations



Specifically tailored to reflect each client's needs

Sufficient specificity to determine agreed upon scope

Note underlying assumptions

Thank you for your time!

# QUESTIONS?

This concludes The American Institute of Architects  
Continuing Education Systems Program

Barbara Sable, AVP, RLI Design Professionals

[Barbara.Sable@rlicorp.com](mailto:Barbara.Sable@rlicorp.com)

**RLI**<sup>®</sup> DIFFERENT WORKS

**RLI**<sup>®</sup>