TAGA Tejas American General Agency

Architects and Engineers Professional Liability

Protection for Architects and Engineers

* Deductible credit if a claim is settled prior to litigation, mediation or arbitration. Deductible amount reduced by 75% or $25,000, whichever is less

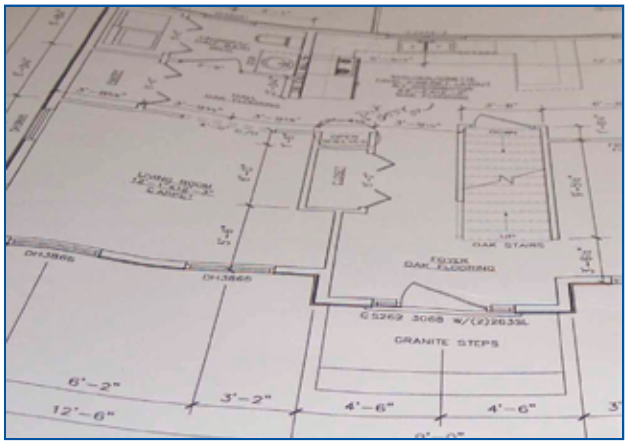
* Deductible credit if a claim is settled at mediation. Deductible amount reduced by 50% or $25,000, whichever is less.

* Pollution exclusion does not apply to claims arising from the performance of covered professional services.

* Loss of earnings and expense reimbursement coverage.

* Supplementary payments up to $25,000 to defend an insured against designated regulatory or administrative actions, such as the American with Disabilities Act, Fair Housing Act, OSHA or zoning matters.

* Definition of "Insured" includes temporary or leased architects and engineers working on behalf of named insured.



Claims Scenario #1

Underwater tennis. A tennis club decided to build a four-court tennis facility using a design/build contractor. The tennis club hired an architect to create schematic drawings showing preliminary design parameters. The architect also assisted the owner in obtaining permits and evaluating bid proposals. In addition, the architect provided administrative duties during the performance period, attending the owner's board meetings and reviewing the contractor's work for the purpose of approving progress payments.

The completed facility suffered from two defects: a bulge under a tennis court and water infiltration at parts of the building which were underground. When the contractor's repair efforts proved ineffective, the owner hired an engineer to determine the causes of the defects. The engineer concluded that (1) the bulge was created by the lack of a vapor barrier and (2) the water infiltration problem was caused by both poor subsurface drainage design and defective workmanship in the drainage system, including crushed drain pipes, squashed outlet openings, and
unsuitable backfill material. A suit is pending against the architect.

Claims Scenario #2

Shifty alliances. An apartment complex consisting of three buildings was damaged in an earthquake. The owner retained an engineering firm to provide design and engineering services for the repair and reconstruction of the structures. After the project, the owners sued the engineering firm and the general contractor. The defendants repaired one side of the building instead of completely demolishing and restructuring the building. This was inadequate because the original structural steel was grossly under-designed. Allegedly, the defendants were aware of the defective structural steel, and concealed this information in order to generate larger fees.

In addition, plaintiffs alleged that the engineering firm concealed this information because an officer and director of the engineering firm had a preexisting personal and business relationship with an individual affiliated with the company, which had constructed the original steel supports. In fact, this employee was serving as a consulting expert on behalf of the company in a different suit involving defective products. The owners alleged that the engineering firm failed to disclose that the defendant's mistakes in the repair plan to protect the steel company from exposure to liability. It was further alleged that the defendants concealed defects in the repairs. In particular, the defendants allegedly concealed that the two sides of the building were out of level. Recovery was sought based on theories of negligence, negligent misrepresentation, fraud and breach of contract. Damages were sought for the cost of repair, loss of market value, loss of use and related items.

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