



## SUPPORT FAIR PUBLIC WORKS CONTRACTS

### ***PLEASE SUPPORT HB 1559***

*(Sponsors: Reps. Haigh, Dammeier & Goodman)*

#### **Background**

Design professionals (architects, engineers, landscape architects & land surveyors) purchase Errors & Omissions insurance. This insurance provides protection for the firm and its public agency clients against damages, liabilities, and costs as a result of the design professional's negligence.

Frequently, public agencies include overly broad indemnification clauses that require the design professional to indemnify, defend, and hold harmless the local public entities against damages, liabilities, and costs *not* caused by the design professional.

#### **Broad Indemnification Clauses are Uninsurable**

The overly broad indemnity clauses for actions that are beyond the control of the design professional are uninsurable and expose the design professional to personal liability for the negligence or fault of others.

Because the overly broad indemnity clauses are uninsurable and, most likely, not collectable, the local public agency enters into a contract with a false sense of protection that will only result in litigation and not insurance coverage. This would leave the agency vulnerable to cover any damages resulting from the project.

#### **This is a Problem Unique to Public Contracts**

Many public agencies use their superior bargaining position during contract negotiations, adopting a "take it or leave it" stance, to require design professionals to indemnify the public agency for actions that are beyond the responsibility and control of the design professional. HB 1559 will stop this practice.

In the private sector, both sides are motivated to resolve contract disputes. This results in proper allocation of risk and compensation. However, in public contracts, there is no incentive for public agencies to negotiate this provision.

#### **HB 1559 Restores Balance to Public Contracts**

This bill allows design professionals to indemnify, defend, or hold harmless local public entities only from "liabilities, damages, losses, and costs, including, but not limited to, reasonable attorney's fees, to the extent caused by the negligence, recklessness, or willful misconduct of the design professional."

In short, the design professional will be responsible for their errors and mistakes. But, they will not be held liable for mistakes made by contractors or others not under the control of the design professional.

#### KEY POINTS

- *Design professionals' insurance only covers their own negligence.*
- *Overly broad contract requirements are uninsurable and unfair to design professionals..*
- *Uninsurable contracts leave public agencies with a false sense of protection.*
- *HB 1559 restores balance, limiting design professionals' liability to their own actions.*

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