



LOSS CONTROL BULLETIN | ARCHITECTS AND ENGINEERS | PROFESSIONAL LIABILITY INSURANCE

Sample terms of engagement

Over the years, Victor Canada has stressed the importance of having a written document in place, which clearly sets out the duties and responsibilities of the parties. We have worked with the sponsoring associations to develop standard contract documents (ACEC-31) and to assist in negotiating equitable agreements with the federal and provincial governments and many private sector clients. While we continue to support the use of comprehensive contract documents, many of our insureds have indicated that these agreements are too complex for smaller Consultants and may be intimidating to less sophisticated clients.

As a result of requests from our insureds, we obtained the Sample Terms of Engagement from Singleton Urquhart, which is one of the firms forming the team of legal counsel for the Victor Program.

These terms of engagement are considered as the bare minimum with respect to contractual provisions for the rendering of professional services. They can be attached to a retainer letter describing a firm's mandate or form part of a proposal to clients.

Victor encourages design professionals to use these or similar contractual terms for all Consultants as our experience shows even small assignments can generate large claims. Furthermore, the absence of any form of written agreement will invariably hinder our chances of successfully defending an allegation of negligence.

We welcome your feedback on the use of these contract terms in the area of client acceptance and/or their effectiveness in defining your mandate and liability.

To reference our archive of loss prevention materials, claims examples and detailed product information, please go to our website victorinsurance.ca.

PROGRAM ENDORSED BY



ASSOCIATION OF CONSULTING
ENGINEERING COMPANIES | CANADA



Sample Terms of Engagement

General

The Consultant shall render the Services, as specified in the attached Scope of Services, to the Client for this Project in accordance with the following terms of engagement. The Consultant may, at its discretion and at any stage, engage subconsultants to perform all or any part of the Services.

Compensation

Charges for the Services rendered will be made in accordance with the Consultant's Schedule of Fees and Disbursements in effect from time to time as the Services are rendered. The Consultant's current Schedule of Fees and Disbursements are included in the Consultant's Budget Estimate. All Charges will be payable in Canadian Dollars. Invoices will be due and payable by the Client within thirty (30) days of the date of the invoice without hold back. Interest on overdue accounts is 12 per cent per annum.

Representatives

Each party shall designate a representative who is authorized to act on behalf of that party and receive notices under this Agreement.

Termination

Either party may terminate this engagement without cause upon thirty (30) days' notice in writing. On termination by either party under this paragraph, the Client shall forthwith pay to the Consultant its Charges for the Services performed, including all expenses and other charges incurred by the Consultant for this Project.

If either party breaches this engagement, the non-defaulting party may terminate this engagement after giving seven (7) days' notice to remedy the breach. On termination by the Consultant under this paragraph, the Client shall forthwith pay to the Consultant its Charges for the Services performed to the date of termination, including all fees and charges for this Project.

Environmental

The Consultant's field investigation, laboratory testing and engineering recommendations will not address or evaluate pollution of soil or pollution of groundwater. The Consultant will co-operate with the Client's environmental Consultant during the field work phase of the investigation.

Professional Responsibility

In performing the Services, the Consultant will provide and exercise the standard of care, skill and diligence required by customarily accepted professional practices and procedures normally provided in the performance of the Services contemplated in this engagement at the time when and the location in which the Services were performed.

Limitation of Liability

The Consultant shall not be responsible for:

1. The failure of a contractor, retained by the Client, to perform the work required for the Project in accordance with the applicable contract documents
2. The design of or defects in equipment supplied or provided by the Client for incorporation into the Consultant
3. Any cross-contamination resulting from subsurface investigations
4. Any damage to subsurface structures and utilities which were identified and located by the Client
5. Any Project decisions made by the Client if the decisions were made without the advice of the Consultant or contrary to or inconsistent with the Consultant's advice
6. Any consequential loss, injury or damages suffered by the Client, including but not limited to loss of use, earnings and business interruption
7. The unauthorized distribution of any confidential document or report prepared by or on behalf of the Consultant for the exclusive use of the Client

The total amount of all claims the Client may have against the Consultant or any present or former partner, executive officer, director, stockholder or employee thereof under this engagement, including but not limited to claims for negligence, negligent misrepresentation and breach of contract, shall be strictly limited to the amount of any professional liability insurance the Consultant may have available for the payment of such claims.

No claim may be brought against the Consultant in contract or tort more than two (2) years after the Services were completed or terminated under this engagement.

Documents

All of the documents prepared by the Consultant or on behalf of the Consultant in connection with the Project are instruments of service for the execution of the Project. The Consultant retains the property and copyright in these documents, whether the Project is executed or not. These documents may not be used on any other Consultant without the prior written agreement of the Consultant.

Field Services

Where applicable, field services recommended for the Project are the minimum necessary, in the sole discretion of the Consultant, to observe whether the work of a contractor retained by the Client is being carried out in general conformity with the intent of the Services. Any reduction from the level of services recommended will result in the Consultant providing qualified certifications for the work.

Dispute Resolution

If requested in writing by either the Client or the Consultant, the Client and the Consultant shall attempt to resolve any dispute between them arising out of or in connection with this Agreement by entering into structured non-binding negotiations with the assistance of a mediator on a without prejudice basis. The mediator shall be appointed by agreement of the parties. If a dispute cannot be settled within a period of thirty (30) calendar days with the mediator, the dispute shall be referred to and finally resolved by arbitration under the rules of _____ (insert name of arbitration centre) or by an arbitrator appointed by agreement of the parties or by reference to a Judge of the _____ Court.

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Visit us at victorinsurance.ca to learn more.

The information presented is for professional liability risk management guidance and general information use. It is not legal advice and should not be relied upon as legal advice or legal opinion with respect to any specific factual circumstance, nor should it be construed to be a determination on issues of coverage for specific claims. Contract language establishes legal duties and rights, and should be reviewed by competent local legal counsel.

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