



# DUE DILIGENCE IS DUE

## THE FACTS

Gerard Coins Architecture, a sole proprietor, was retained by a housing authority to provide architectural design for Blanket Apartments, a low income housing development. Gerard Coins Architecture also provided mechanical design, which was permitted by state law. The architect's design called for standard, 30 gallon water heaters but the owner wanted electric, tankless water heaters instead. The architect checked with a supplier and based on verbal information, sized the water heaters for the apartment units.<sup>1</sup>

After the apartments were built, it was discovered that the water heaters did not supply enough hot water. The architect contacted the water heater manufacturer who told him the water heaters were intended to be used at a source, such as a sink or bathtub—not to heat the water for an entire apartment.

The apartment building owner filed suit against the architect; demanding \$28,000 to purchase and install new water heaters.

## THE RESULT

Negotiations with the housing authority resulted in a settlement for \$25,000 with the housing authority keeping the salvage costs. This was a clear case of liability. As a result, no monies were needed for legal expense.

### RISK FACTOR #1

The insured relied on third party information without doing further due diligence. The insured should have researched the product with the manufacturer first or if unsure, consulted with a mechanical engineer.

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