

OFFICE OF THE
LEGISLATIVE
FISCAL
ANALYST

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MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Brian Wikle, Senior Economist
DATE: July 12, 2018
SUBJECT: Risk Liability Caps

Each even-numbered year the Office of the Legislative Fiscal Analyst (LFA) is required to follow a formula set forth in statute to calculate adjusted personal injury individual and aggregate liability limits and a property damage liability limit per occurrence for judgment amounts against governmental entities and employees in the State. The office then passes the adjusted limits to the Division of Risk Management, which establishes by rule the new limits to be effective no later than July 1 of that year (see UCA [63G-7-605](#)).

The limits that were in effect for the period July 1, 2016 through June 30, 2018 as given in Utah Administrative Code R37-4-2 were:

- Personal injury individual limit: \$717,100;
- Personal injury aggregate limit: \$2,455,900; and
- Property damage limit: \$286,900.

The formula in UCA [63G-7-605](#) refers to components of the consumer price index (CPI) as measures by which the personal injury and property damage limits are to be adjusted. The statute does not clearly state that the adjustments are relational to percentage changes in the CPI components over the two-year period since the previous adjustments.

For the two-year period beginning July 1, 2018, based on LFA's understanding of the intent of UCA [63G-7-605](#), the office increased the above limits by factors derived by calculating percentage increases in applicable CPI components. The LFA passed to the division the following updated limits:

- Personal injury individual limit: \$745,200 (an increase of 3.9 percent);
- Personal injury aggregate limit: \$2,552,000 (an increase of 3.9 percent); and
- Property damage limit: \$295,000 (an increase of 2.8 percent).

The analyst recommends that the Legislature make technical adjustments to the language in UCA [63G-7-605](#) to ensure the language matches the Legislature's intent by 1) clarifying that new limits are equal to the maximum of either the previous limits multiplied by the quantity one plus the weighted CPI percentage change or the previous limits; and 2) clarifying that LFA pass to the division limits that have been rounded up to the nearest \$100.

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