

Commission on Local Government

Estimate of Local Fiscal Impact

2026 General Assembly Session | 01/21/26

In accordance with the provisions of 30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of legislation impacting local governments.

SB228: Localities; liability insurance; certain waiver of sovereign immunity. (Patron: Surovell)

Bill Summary: Provides that a locality or political subdivision may provide liability insurance, including self-insurance, to cover damages or other expenses in certain civil actions arising out of an act or omission of certain officers, employees, board or commission members, or volunteers while such person is acting within the scope of his official duties. The bill provides that the provision of such liability insurance or self-insurance shall constitute a waiver of sovereign immunity in an amount not to exceed the combined total of any self-insurance coverage, insurance coverage under a group self-insurance pool, or any coverage pursuant to a policy purchased from an insurance company, including any excess or reserve coverage. The bill also provides that the insurer or self-insured shall not have a duty to defend or indemnify any covered person in cases where the act or omission took place outside the scope of such covered person's employment or official duties, where such act or omission was done maliciously or occurred as a result of gross negligence or willful misconduct, or is otherwise excluded by the terms of the policy.

Local Fiscal Impact: Net Additional Expenditure: X Net Reduction of Revenues: _____

Summary Analysis:

Number of Localities Responding: 4 Cities, 9 Counties, 1 Town

Localities estimated a negative fiscal impact of \$100,000 to \$43,304,000 over the biennium.

Localities identified the bill's fiscal impact as significant, with concerns related to the loss of sovereign immunity. Localities estimate an increase in expenditure related to higher premiums, additional litigation, and increased staffing in attorneys' offices due to potential litigation.

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Net Increase in Expenditures: Itemized Estimates by Responding Localities

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Locality	Expenditure Narrative by Responding Localities
Albemarle County	SB 228 doesn't mandate that the county purchase new coverage but authorizes it to insure certain EMS leaders and expand clarity about liability limits. Financial impact, therefore, depends on whether Albemarle chooses to add or broaden coverage.
Bedford County	It is not possible to estimate the dollar amount this bill could cost the County since that would be dependent on potential future claims against the County. That said, between the liability exposure and the costs of outside counsel this bill could have significant negative financial impact to the County. Depending on future claims, if any, this could cost the County hundreds of thousands of dollars any given year.

Locality	Expenditure Narrative by Responding Localities
Chesterfield County	<p>The provisions of this bill would have vast implications both financially and operationally. As far as premiums are concerned, the impact could be dramatic. When marketing municipal exposures, particularly Cities and Counties, insurers rely on the insured as being able to claim immunity in certain cases. Without that protection, many insurers would likely cease from writing the class of business limiting the availability of coverage or require extremely high retentions. While the provisions of this bill limit liability up to the amount of insurance coverage available, it would substantially increase the county's insurance premiums related to excess liability coverage due to new high-risk litigation. Additionally, the county's self-insurance reserve levels, would be inadequate to address this expanded liability exposure currently. The risk of reserve depletion is compounded by social inflation and nuclear jury verdicts which have already raised litigation costs. Lastly, there are many staffing implications between public safety recruitment, county attorney and risk staffing levels, and implications for county staff broadly. These changes would necessitate increased compliance and risk management spending to further mitigate liabilities.</p> <p>Insurance Premiums: The county's insurance premiums for FY26 totaled \$3,760,000, with excess liability accounting for \$1,880,000 of the total. Assuming excess liability premiums would increase a minimum of 40-50% per policy year, the resulting impact of this bill would be an additional premium cost of anywhere from \$752-940,000/policy year.</p> <p>Self-insurance Reserve: The County's Risk Management Reserve was \$18.8M as of June 30, 2025. Assuming a proportional increase in self-insured losses relative to the projected insurance premium increases of 40-50%, the county's risk management reserve would need to be increased by an additional \$7.5 to \$9.4M to adequately fund potential increased losses.</p> <p>Staffing Implications: Given the increased exposure of PS officers under this bill, there would likely need to be increased recruitment efforts and potentially compensation-related adjustments. A 5-10% increase in PS personnel expenditures would result in \$11M-22M in increases. Additionally, a 1.5x-2x increase in personnel expenditures for Risk and County Attorney would result in +2.4M-4.9M/year</p> <p>High/Low Proj.</p> <p>Insurance premiums: \$752,000/940,000</p> <p>Self-Insurance Reserve Addition: \$7,500,00/9,400,000</p>
City of Alexandria	<p>Without sovereign immunity, Alexandria would pay significantly more claims prior to reaching our insurance coverage deductible. We cannot quantify the exact fiscal impact because it is claim event dependent; however, you could assume the legislation would cost our localities at least \$2M annually. While insurance coverage will absorb claim liability that exceeds the insurance deductible this would also result in Alexandria (and other localities) both paying more claims and experiencing significant increase in insurance premiums.</p>

Locality	Expenditure Narrative by Responding Localities
City of Danville	Per our Internal Auditor and City Attorney, this bill would cause a significant increase in expenditures. Finalizing a number is difficult since it depends on our insurer's rates, which can change based on usage. The concern is that this could lead to more claims and increased costs.
City of Manassas	Requirement for additional liability insurance to address will result in increased premium expense
City of Virginia Beach	No significant increases in expenditures anticipated.
Fairfax County	This bill operates to abrogate the County's sovereign immunity against tort claims, subject to a limited exceptions (e.g., gross negligence, which is nearly impossible to prove). It caps liability at the limits of self-insurance and/or insurance. If passed, it likely would substantially increase the County's liability exposure. The average cost of repairing vehicles is \$5,000 and based on a frequency of 100 incidents per year this change would be \$500,000 annually. In addition, about 10% of all auto accidents result in a bodily injury claim with an average valuation of \$20,000 per claim for an additional \$200,000 annually. With regards to other than auto liability claims, the annual projected cost would exceed \$5,000,000 based on a significant number of claims being filed against the County where the County would be responsible for adverse parties' legal fees. This would result in less protection to County employees. County Ordinances would need to be revised to comply with the proposed change.
Fauquier County	estimating an increase of 250% in all lines of liability.
Hanover County	We don't anticipate an increase in expenditures as a result of this bill.
Mecklenburg County	This estimate includes costs for both the County and the School Division and is the premium increase as quoted by our insurance company related to the coverages that would be necessary to be obtained/enhanced as a result of this proposal.
Prince George County	For FY26, Prince George has an estimated \$80,000-\$85,000 in Liability Insurance, with a large portion of that being Auto, tied in with Auto Physical Damage. That means that we could be looking at \$200,000-\$215,000 in subsequent years, or an increase of about \$135,000. School numbers would be impacted by about \$90,000. County + Schools = \$225,000 increase. For FY28, we have added a 10% increase (\$247,500).
Rappahannock County	Estimate of annual cost provided by VACoRP for Rappahannock County Government and Public Schools.
Town of Chincoteague	