

COLUMNS

Notes From SEFD: Why Did My Insurance Rate Triple?



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This Sonoita home was destroyed by fire last winter. Fortunately, the owners had insurance. Many property owners are finding it increasingly difficult to find coverage. *Photo courtesy Sonoita Elgin Fire District*

Why can't I find coverage?

I was recently talking with [Sonoita insurance agent Mike Wright](#), who started his career in insurance in the 1980s. He told me that in the past couple of years he has seen more uninsurable properties than in the rest of his career combined. Many properties which were historically expensive to insure now can't be insured at all.

What's going on?

To begin, insurance companies are not making decisions in a vacuum, or on their own. Government rules require insurance companies to have X dollars in the bank, depending on the amount of insurance they write. The balance of the amount they write is covered by reinsurance purchased by the insurance carrier just as we purchase insurance from them, paying a premium and having a deductible.

Some of the major reinsurance companies are Berkshire Hathaway, Germany's Munich Re and Switzerland's Swiss Re. These reinsurers have taken huge hits in the last few years from fires, hurricanes, floods and other disasters, which has caused them to raise their rates to insurance companies and raise their deductibles. In turn, this has caused consumer-level insurance companies to raise rates and deductibles, and in some areas, to refuse to insure at all.

Many companies will not insure in areas considered high loss risk. In our area, that loss risk is due to potential wildfire.

This inability to obtain insurance impacts both existing homeowners and purchasers.

Existing owners may find rates going up dramatically. Wright's advice is "pay it and be glad you have insurance." If you are able to find a new insurer who is less expensive, do not cancel the old policy. A new policy can be canceled within the first 60 days leaving a homeowner without coverage. Wright recommends leaving the old coverage in place until day 61. You will be able to get the payments on the old policy reimbursed with proof of new coverage.

If an existing property's insurance is canceled, and that property has a mortgage, the mortgage holder will likely obtain what is called Forced Placed Coverage. It will likely be very expensive and will cover only the amount of the mortgage. In that case, the homeowner is not covered for full value and has no contents coverage, no liability coverage, etc. A fire or other catastrophe could leave them with nothing.

In buying a home, a lender will not grant a mortgage until they have proof of insurance, leaving some of the housing market available only to cash purchasers. For that cash purchaser unable to get insurance coverage, they must consider the cost to rebuild, replace contents, etc., should wildfire take their home.

Locally, insurance is generally available within three to five miles of a responding fire station. But insurers may also look at a number of other factors in determining whether to insure and at what rate, including credit score, claims frequency and the rating that the Insurance Services Office (ISO) gives to fire districts/departments. ISO ratings are based on factors like the equipment available, the training and certification of personnel, number of personnel on duty, response time, and water delivery availability. None of our more remote areas here in Eastern Santa Cruz County have fire hydrants, and water availability is based on what can be hauled in.

The personal touch in obtaining insurance is pretty much gone. Insurers today use maps of risk areas and review by AI and algorithms. No friendly agent makes the final determination.

So, what can you do if your insurance is denied or canceled? Here are a few suggestions, none of which are certain to help:

- Make sure your property is "firewise," and document that with photos.
- Maintain that firewise condition! Allowing weeds to grow up and trash to accumulate destroys what you've done.
- Have adequate water storage with valves that are accessible by fire trucks.
- Contact the insurer and ask for a personal inspection by an agent. Provide your photos and other reasoning for reconsideration.
- If the insurance company asks that you do certain things like cut down a tree or move a propane tank away from a building, do it.
- Agree to a higher deductible.

For many, if not most of us, our homes are our most valuable asset. Local fire agencies like [Sonoita-Elgin Fire District](#) and Patagonia Volunteer Fire & Rescue do our very best to protect our communities. Unfortunately, history shows we can't save every property.

A final word from Mike Wright: in time this will swing the other way—it always does. Some insurance firm will eventually realize that they are missing out on a large part of the available market share, which they will find a way to serve and capitalize on.

