



Philippine cedents 'buying smartly' as market softens, proportional capacity returns

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Cedents in the Philippines are retaining more risks amid the softening market, which has also seen some reinsurers re-deploying property proportional capacity back to the market, brokers told InsuranceAsia News ahead of the 1.4 renewals.

"There has been a gradual trend of higher retentions among Philippine insurers, particularly for catastrophe-exposed lines," said Ramon Zandueta, managing director and CEO of broker KRM Re.

"As catastrophe reinsurance pricing increased in recent years, many insurers have chosen to retain more of the primary layers of risk while relying on reinsurance for higher layers."

William Pang, group CEO at Asia Reinsurance Brokers, echoed the sentiment: "This is part of clients' overall motivation to cut reinsurance spent. They are also buying smartly."



“For example, instead of buying all nat cat perils, some are choosing to purchase earthquake covers only at the top layers since earthquake risk is the driving peril at that level.”

The soft market has also allowed some reinsurers to redeploy property proportional capacities back in the Philippines, which is a reversal of the behaviour observed during the hard market, where the push was for gross XoLs, according to Pang.

In terms of pricing, Pang is seeing double-digit risk-adjusted reduction, up to 15-20% for loss-free programs.

Meanwhile, Zandueta expects stable to slightly softer pricing, potentially in the low- to mid-single-digit risk-adjusted reductions for well-performing portfolios with strong underwriting discipline.



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Ramon Zandueta, KRM Re

“While the Philippines experienced several typhoons and earthquakes last year, overall losses were manageable and less severe than initially anticipated, which has supported a more balanced renewal environment,” Zandueta said.

“[Pricing] outcomes will still depend on portfolio quality, catastrophe exposure, and loss experience. Capacity remains generally available, although reinsurers continue to apply greater underwriting scrutiny for catastrophe-heavy portfolios.”

Given geopolitical tensions affecting global shipping routes, Zandueta is seeing greater scrutiny of war-related coverages in marine insurance.

Reinsurers are also paying closer attention to catastrophe definitions, aggregation wording, and hours clauses, especially for flood and severe weather risks, he added.

“In addition, cyber exclusions and silent cyber exposures remain an area of continued focus across property and casualty programs,” Zandueta said.

Emerging trends

Structured solutions and parametric programs are gaining traction in the 1.4 renewals in the Philippines, according to the brokers.

“Cedents in this part of the world are beginning to adopt more multi-year structured solutions and parametric programs as they gain a deeper understanding of them, building on years of education and learning,” Pang said.

Zandueta added: “Parametric solutions can help cover primary layers, deductibles, or catastrophe triggers. These structures can provide rapid payouts and are increasingly used as a risk management and hedging tool in areas with high concentration risk.”

Meanwhile, following some recent political issues, large infrastructure and government-linked projects have come under heightened scrutiny, according to Zandueta.

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William Pang, Asia Reinsurance Brokers



The Philippines has witnessed an ongoing controversy over alleged irregularities in government-funded flood-control projects that first surfaced in July.

Investigations and audits have uncovered billions of pesos lost to purportedly substandard or “ghost” flood-control works, with multiple anti-corruption protests held across the country following the revelations.

“However, many major infrastructure developments in the Philippines are structured through public-private partnership frameworks with international financing, which typically provide strong governance and oversight. Well-structured projects with reputable sponsors continue to attract reinsurance capacity,” Zandueta said.

Iran war impact

With reinsurers achieving expected return on investment of their capital, and in some cases well above expectations, Pang expects the soft market to persist through 1.7 renewals.

However, achieving the same conditions for the 1.1 renewals in 2027 will depend on the duration of the Iran war and nat cat loss experience in 2026, he said.

“If oil prices go up to US\$150 per barrel or higher, with the prolonged war, you’re likely to see a paradigm shift in the thinking of both buyers and suppliers of reinsurance.”

He also pointed out that if the conflict lasts longer, there’s a risk of stagflation or even recession in the worst-case scenario, challenging the entire reinsurance industry.

For Zandueta, while the tension in the Strait of Hormuz is unlikely to have a direct impact on Philippine portfolios, it reinforces the importance of energy diversification and accelerating the transition toward renewable energy.

“As the country imports the majority of its oil and gas requirements, there has been a strong push in recent years to expand renewable energy capacity, such as solar, wind, and other alternative sources, to improve energy security,” he said.

“This transition is expected to drive continued investment in energy and infrastructure projects, which will in turn increase demand for insurance and reinsurance capacity, particularly for construction, operational risk, and catastrophe protection.”
