**Introduction**

Insurers are setting their sights on the emerging markets of South East Asia. Faced with increasing saturation in established markets, they are looking to these emerging economies to develop direct insurance and reinsurance business and grow premium income. In order to do this they will have to overcome the various legal, regulatory and commercial challenges that arise.

The most popular lines of business to be written are likely to be marine and property, reflecting the thriving import/export market, particularly in China, and the quantity of infrastructure and construction projects seen across the region. Regional arbitration is fast becoming the dispute resolution mechanism of choice for such risks and this trend shows no sign of abating. Insurers can be encouraged by the presence of insurance professionals (including lawyers and arbitrators) established in the region, whose expertise can bring to bear on insurance issues that may arise.

**Targets for expansion**

A recent poll of the London market conducted by Clyde & Co revealed, perhaps unsurprisingly, that the primary focus of interest for those looking to expand operations is China. Those polled also expressed interest, albeit to a lesser extent, in Malaysia, Thailand, Indonesia, Philippines and Vietnam. For obvious reasons, Singapore's mature market was not identified as an area of focus.

**China**

As the world's largest trading nation and second largest economy, China is already the seventh largest insurance market. Total premium income for 2010 was Yuan 1.47 trillion (US$ 222 billion) in 2010, up by 33% from the previous year. It is still viewed as an underinsured market with huge potential. However, there is increasing competition from established domestic insurers who have been able to grow their market share in the last two years at the expense of foreign players distracted back home by the effects of the financial crisis. Another challenge cited by those polled was gaining a proper understanding of the country's culture, and not just its language. There is also perceived to be a limited talent pool available with which to build a successful business.
Malaysia
Recent changes in the regulation of the industry have made Malaysia an attractive target for expansion of conventional insurance and also bancassurance and takaful businesses. Most significant was the increase in 2009 in the limit on foreign equity participation in Malaysian insurers and takaful operators from 49% to 70%. These changes, coupled with the introduction of greater operational flexibility for locally incorporated subsidiaries of foreign insurers and takaful operators, are having a positive effect. Current projections put growth for 2011 to be at least 12% across the Malaysian insurance industry.

Philippines
With a population of almost 95 million people, the Philippines has the potential to offer insurers significant premium income as its growing middle class population expands. Economic growth in 2010 was 6%, assisting an estimated premium growth of 14% for non-life and 20% for life. These indicators are tempered by a perception that the country is less stable than its neighbours. There is also a lack of local companies with sufficient capital and scale to develop new and innovative products. However, the Philippines Insurance Commission has introduced new capital requirements that will hopefully begin a rationalisation of the market.

Thailand
The insurance industry in Thailand continues to demonstrate strong growth, despite recent political turmoil and the impact of the economic downturn on foreign investment. Thailand's Office of Insurance Commission reported that insurance business in the first quarter of 2011 grew by 13.5% on last year's quarterly figures. The government is committed to promoting economic stimulation by implementing financial stimulus schemes, increasing exports and developing industrial activity. These in turn can be expected to drive up further demand and the purchasing power of insurance products.

Vietnam
Vietnam's economy is one of the fastest growing in Asia, enjoying a long period of expansion since the application of the government's Đổi mới (renovation) policy in 1986. The insurance market there has prospered despite the recent economic downturn. Amendments to the Law on Insurance Business recently came into effect on 1 July 2011, aligning the legislation with international practices and to codify some commitments that Vietnam had made before its accession to the World Trade Organisation in 2007. Economic growth and a conducive regulatory environment are likely to spur on further growth, particularly in the life market, in the short term. The longer term view is less certain due to Vietnam's GDP deficit and the possible implementation of austerity measures.
Indonesia
Indonesia is the fourth most populous country in the world, after China, India and the USA. Its population is beginning to experience an improvement in individual wealth that is set to continue. The country has been relatively unscathed by the economic downturn and its government has steadily instituted reforms to the financial services industry. These factors point to a market ripe for expansion. Despite these, however, the market remains small and fragmented, without any one of the established firms exercising a dominant position. Foreign investors also remain cautious in the face of high unemployment levels, the risk of terrorist attacks and a lack of institutional transparency.

Dispute Resolution
The popularity of Singapore arbitration for resolving regional disputes scarcely requires elaboration. It has become commonplace to see parties choosing Singapore as the seat in arbitration agreements involving a regional domestic party on the one hand and a foreign investor on the other. That trend has undoubtedly developed to address perceptions on each side of 'home advantage' and to provide scope for enforcement of an award under the New York Convention in circumstances where enforcement of domestic court judgments can be difficult. This trend is seen in large scale onshore and offshore construction projects, substantial infrastructure projects, and those in the energy and natural resource sectors.

Marine cover was identified by those polled as the leading line of business insurers are looking to write as they expand into the region. References before the Singapore Chamber of Marine Arbitration have seen a recent upswing, due in part to the recent refresh of its rules in 2009. Further provisions to address the special problems associated with resolving collision disputes will reinforce that trend.

Insurers looking to expand into South East Asian emerging markets (and those already with a presence) to write marine cover, property and casualty covers for large-scale projects will be able where necessary to draw upon insurance professionals, including an increasing pool of locally-based arbitrators with insurance expertise, to tackle such issues. This reflects insurers’ and insureds’ confidence in Singapore as a place to arbitrate insurance-related issues.