

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Audited Accounts of Oriental Capital Assurance Bhd for the financial year ended December 31, 2007.

Highlights of Company's Performance

Within the perspective of the economy at local and global front experiencing unabated competition, greater risks and new regulations; the imperative need to operate efficiently and respond speedily to market changes for sustainable growth warrants unprecedented actions to concentrate on core competencies. As a market player in the industry, we will turn our sights to explore and embrace initiatives that will better serve our policyholders and claimants in order to carve an adaptive advantage over these competitions.

The implementation of our housekeeping measures over the past few years had groomed our operations to reach a more consolidated and resilient state. Coupled with the marked softening of rates internationally ranging between 15 – 20% in the Marine, Oil & Gas and Energy classes, the earnings from these production sources had correspondingly declined. Nevertheless, we remain optimistic of healthier prospects in the long term.

More stringent underwriting restrictions had to be taken to contain the huge losses posted in the Marine Hull class of business. The underwriting of risks categorized as 'brown waters' where claims experience of losses of smaller vessels had been disappointing is evaluated on a case basis with the imposition of stricter underwriting terms.

The Motor class was another sector that showed downside results due to the pruning of unproductive performances of low-value agents and tightened discipline on the adherence of Cash-Before-Cover requirements. Such measures should promote towards retaining and recruiting quality agents so as to yield profitability from this important channel.

As we gear towards a risk-based and more self-regulated market conduct regime, concerted efforts were taken to improve and streamline operational practices in readiness to incorporate these requirements.

Financial Review

For the year under review, the Gross Premium Written was RM272,425,000 which registered a contraction of 22% in comparison to the previous year. The contributory factors attributing to the decline stemmed from the increasingly intense competition faced and reductions in insurance rates.

Correspondingly, the Net Written Premium retracted from RM114,150,000 in 2006 to RM99,673,000 in 2007, representing a fall of 13%. Earned Premium registered a slight reduction from RM116,129,000 to RM106,819,000.

Characterized by rate reductions and softening prices particularly in Marine, Oil & Gas and Energy classes, the underwriting loss stood at RM16,083,000 in 2007 that was still a vast improvement compared to the loss of RM28,576,000 in 2006.

The earning of our investment portfolio is beginning to earn steady yields. On the back of a buoyant stock market, Investment Income for the year ended 31 December 2007 posted an amount of RM14,920,000 and other operating income arising from disposal of investment amounting to RM10,378,000 which was more than adequate to off-set the Underwriting Loss of RM16,083,000.

After taking recognition of the Underwriting Loss and the write-off on the impairment of goodwill, the Company incurred a Pre-Tax Loss of RM15,929,000. The goodwill amounting to RM25,246,000 was reviewed for impairment that necessitated its write down in the accounts for year ended 31 December 2007.

The Board of Directors does not propose any dividend in respect of the financial year 2007.

Going forward, the Company will be focusing on ways and means to improve the underwriting profitability that has been on a declining trend over the recent past. The senior management will be entrusted to embark on a sound underwriting philosophy that will give more emphasis on profitability as opposed to gross turnover. The retention ratio will also be increased in order to retain more premiums for investment purposes.

A Note of Appreciation

The Board of Directors records its sincere appreciation to all our clients for their valued patronage and support. We are obliged to our business associates and stakeholders for their continuing confidence placed upon us. To our team of staff, we commend them for their dedication and commitment.