



Annual Report 2018

of Future Re Company



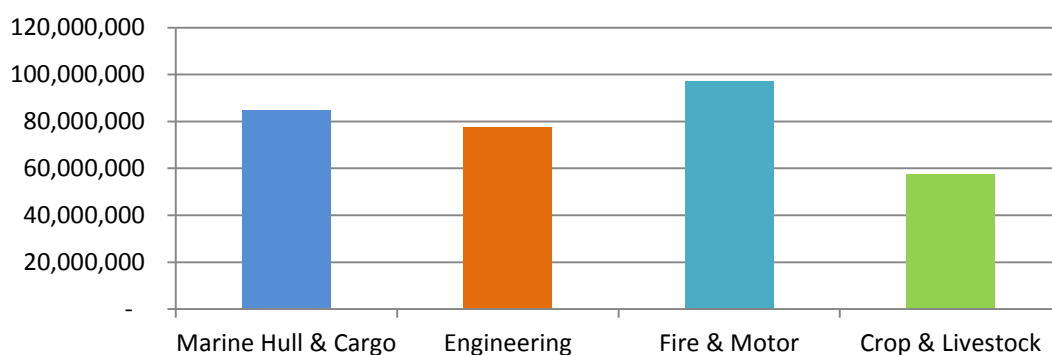
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Business Performance of the Company

As at 31st December, 2018

Reinsurance Net Balance as per Class of Insurance		
Class of Insurance	in KPW	in CHF
Marine Hull & Cargo	84,930,943	653,315
Engineering	77,548,157	596,524
Fire & Motor	97,132,540	747,173
Crop & Livestock	57,495,449	442,273
Total	317,107,089	2,439,285



Reinsurance Net Balance as per Type of Reinsurance		
Type of Reinsurance	in KPW	in CHF
Non-Proportional Treaty	73,265,639	563,582
Proportional Treaty	243,841,450	1,875,703
Total	317,107,089	2,439,285



President's Message

On behalf of Future Re Company, I am pleased to call the fiscal year 2018 a year of great successes that were achieved by joint efforts of all the staffs and members of the company.

We wrote reinsurance premium of KPW 751.67 million in the fiscal year 2018, the first year of our business which is 125.28% increase over the initial estimate at KPW 600 million.

As for our investment business, we also recorded total revenue of KPW 232.64 million which is far greater than KPW 195 million we estimated earlier in the year.

Thanks to these brilliant achievements in business, I am happy to say that the assets of Future Re amounted to KPW 4,037,721,000 by the end of fiscal year 2018, which means an increase of 26.18% over than the amount at the start up.

The annual net profit from reinsurance and investment in the fiscal year 2018 totaled to KPW 54,628,000 and the net result of pre-payment to the state was KPW 78.04 million.

I think these successes in the fiscal year 2018 are clearly attributable to the diverse business strategy of the company.

I am confident that Future Re will make best use of these successes and experience in the fiscal year 2018 and move toward greater achievement in year 2019 by actively exploring insurance markets at home and abroad.

For the sake of my dear clients, the Executive Committee and I swear that we will by all means ensure sustainable development of the company in 2019 to serve your interests best as ever.

Yours sincerely,



Kim Chang Ho

President, CEO

Future Re Company

Operating Strategy

We base our strategic goals and business principles on three objectives of which are as follows:

Above-average Profitability

Make Future Re a leading reinsurer in the region with high profitability from investment returns and stunning annual growth rate.

Optimized Diversity

Make effective allocation of capital to business lines of highest profits.

Self-Sustenance

Increase the equity of the company with its own net profit, while restraining capital addition by outsiders into the company.

Strategic goals and principles

Profits

Ensuring double-digit growth in annual turnover and net worth.

Capital Management

Most effective allocation to and optimized use of capital in business.

Investments

Most preferential investment in ensuring optimized diversity of business.

Corporate Structure

Ensuring highly efficient business-oriented company structure.



Taking good care of our clients, customers and colleagues like a family is at the heart of everything we do. It will be our great pleasure if you are a member of our family.

Business Report

Valuing Talents

Selecting skilled staff who have great ambition and support the company's business strategy and assigning them at appropriate jobs.

Enhancing qualification of all the staff and promoting their motivation for success at work.

Risk Management

Regular monitoring of and dealing with every possible risk that might negate the integrity and individual components of the company's business.

Performance Excellence

Consistent enhancement of everybody's ability and qualification in the company, and regular update of human resources and business processes.

Serving the interests of every customer best and achieving the maximum profits in company's business operation.

Our reinsurance premium amounted to KPW 751.67 million from all insurance lines. In particular reinsurance premiums from property and casualty insurance lines took a share of 61.13 percent in total income by KPW 459.51 million.

The total income from investment was KPW 232.64 million in F/Y 2018.

Reinsurance Operation

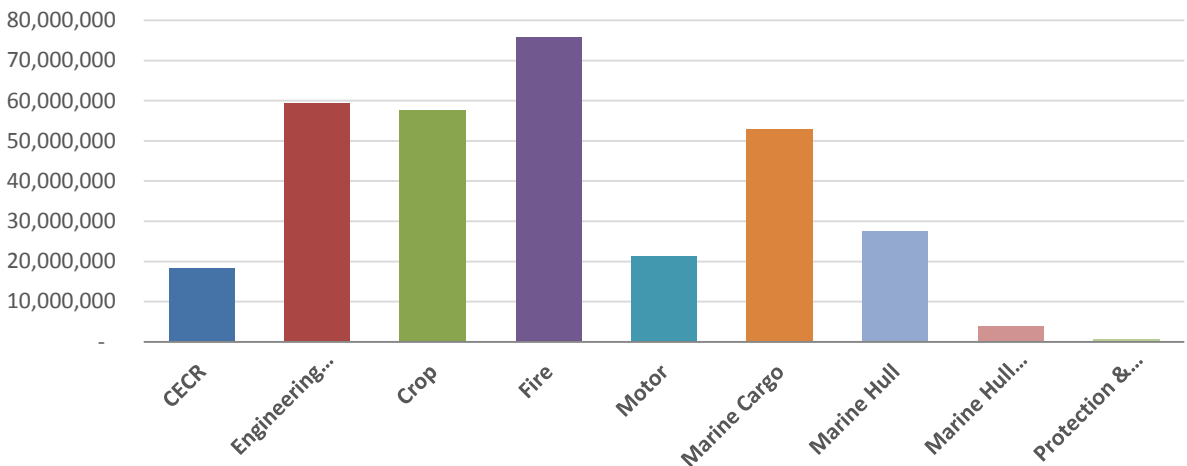
Reinsurance portfolio of property and casualty insurance lines– the mainstay of the company's business–grew by 6.62% in the second half year as compared with the first half year.

As to the total amount of reinsurance premium, we wrote 459.51 million (61.13%), paid KPW 153.95 million for losses and gained KPW 305.56 million as net balance.

Based on the analysis of F/Y 2018 result, the Company will direct its primary attention to ensuring a service more qualified than ever in property and casualty reinsurance.

The premium income is expected to be of steady increase in property and casualty reinsurance .

Reinsurance Net Balance as per Class of Business



Risk Management

Professional risk assessment and management is a decisive factor in our strategy of enhancing the company's value to the full.

We are particularly attached to diverse design of risk management and up-to-date risk analysis in order to enhance the accuracy of the analyzed result.

We have classified risks into several categories; risks affecting the company's overall business; risks arising in the course of implementing the company's business strategy and in the process of normal business operation.

They can be further categorized as technical insurance risks, investment risks and general risks.

The risks affecting the company's overall business are objective in nature and result from a change in financial and legal environment. We believe that we can hardly reduce the adverse effects of these potential risks and there is a definite limit in doing so.

The only possible means for us to cope with this risk in business management is to identify at an early stage the process of their proliferation into several aspects of the company.

We have introduced new risk-related simulation models to improve our analysis of potential insurance risks.

By programming the risk analysis model in detail, we make sure that we accurately analyze the frequency of occurrence of natural catastrophes and the range and scope of damage.

With these analyzed data, we confirm the company's current reinsurance capacity and accordingly draft detailed plans to underwrite as great risks as possible.

Risks arising in the course of implementing the company's business strategy are attributable to a potential gap between the company's strategy and the customer's demand together with differentiated condition for effecting service.

Definite plans for technical risk management have been published Re.

The Company therefore makes sure that the Executive Committee keeps under review and tackles all the factors which might influence the company's overall business including but not limited to carrying out a regular perusal of premium rate, terms and conditions of direct insurance policy wordings and reinsurance agreement.

By introducing the latest IT achievements into business, we have been able to maintain accuracy in the course of our

business and overcome a slightest mistake in every sphere of our business including fund management and investment .

On the other hand, we have installed the latest security software and enhanced data protection in the company.

Technical risks are classified into two categories; the risk arising from writing risks which go beyond the company's payment capacity; the risk arising from insufficiency of estimated reinsurance premium that can hardly meet financial demand for compensation.

With a purpose of managing these risks properly, the Company has reduced the frequency of their occurrence to the minimum.

In order to decide our share of participation in reinsurance programs and the amount of our loss reserves, we make sure that we adhere to reinsurance principles and employ mathematical and statistical methods at the same time so that we could analyze and determine the current status and business prospects for each placing partner company.

For the investment risks, we believe that the guideline, approved by the Executive Committee, is the key to success in substantially reducing its potential risks.

Investment Business

During the year under review the income from investment totaled to KPW 232.64 million.

In accordance with mid- and long-term strategy, we invested KPW 1,163.2 million in total. In particular, we allocated KPW 410 million to real estate investments which is a substantial and stable source of income for the company. We are now stepping up to prepare sufficient reserves to cope with potential loss in investment business.

The amount of revenue from real estate investment remained stable in the second half year as it did in the first half year.

We think that this investment business will be of crucial importance for the company as a stable source of increased income.

In light of the foregoing, the total business result of the company was KPW 78.04 million, the payment to the State 23.411 million and the

total net profit KPW 54.628 million in F/Y 2018.

Human Resources

We believe that the company's success in business depends on how well skilled officers perform their duty with comprehensive reinsurance expertise and make everything as accurate as possible with their own tireless efforts.

We have set out as and adhered to the main policy of the company to enhance the capacity and qualification of all the staff.

We value every skilled staff of the company as a source of infinite worth that enables us to make headway toward greater success in business.

Planned increase in the quality and quantity of skilled staff is a fundamental aspect of company's business strategy.

We make sure that every individual staff is happy to pursue their interests in implementing the company's strategy. We encourage the heads and staff of every department to respect the company's business goals and display their responsibility and enthusiasm to the full.

Effective management of human resources is an important aspect of the overall business strategy of Future Re.

Without every single staff of the company, we cannot think of our success.



*Whenever you call on us, we are
always right there with our
innovative approach and customized
solution that exceed your
expectations.*

Business Prospects

We expect that in terms of gross written premium and net income there will be a greater growth forecast in F/Y 2019 over the last year.

We are going to direct our foremost attention to furthering the current proportion of 30% of non-proportional reinsurance accounts in F/Y 2019.

We will make sure that our reinsurance programs for property and casualty insurance portfolios take the lead as ever in gaining highly sustainable profits throughout F/Y 2019.

We are therefore planning for our next renewal to update the terms and conditions of these two reinsurance programs in order to promptly satisfy our clients' demands while keeping pace with the global reinsurance market trend.

Meanwhile, we will maintain our share of participation in aviation and marine cargo reinsurance programs at the same level in F/Y 2019 as we did in F/Y 2018.

Last but not least, we are pleased to inform that we are going to start life reinsurance programs from F/Y 2019. Thanks to accurate analysis of and detailed market research for these programs, we are confident that our clients will be given sufficient reinsurance coverage - this will bring us maximal profit from the outset.

The mission of Client & Partner Service (CPS) department is to orientate home reinsurance market at a brisk pace as required by the company's strategy.

On the other hand, we are going to refrain from investing in new projects and maintain the current level of investment revenue throughout F/Y 2019.

We believe that we will be able to attain the highest rate of growth in our reinsurance business in F/Y 2019 as well since we have potentials to consolidate our successes in our race against time toward greater ones.

Financial Statement

As at 31st December 2018

Balance Sheet

Currency : KPW'000

Year 2018	
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Assets

Intangible assets	201,514
Tangible assets and inventories	565,864
Investments	1,163,200
Receivables	100,002
Cash at bank, cheque and cash in hand	1,782,227
Other assets	224,914
Total assets	4,037,721

Year 2018	
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Equity

Paid up capital	3,200,000
Retained earnings	51,897
Contingency reserve	2,731
Total equity	3,254,628

Liabilities

Technical provisions	727,638
Unearned premiums	375,834
Provision for outstanding claims	14,776
Accounts payable on reinsurance business	336,289
Deposits retained on retroceded business	
Other technical provisions	739
Accrued liabilities	54,994
Other liabilities	461
Total liabilities	783,093

Total equity and liabilities	4,037,721
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Income Statement

Currency: KPW'000

Year 2018	
Underwriting Income	
Net earned premiums	375,835
1) Net written premiums	751,669
(1) Gross premiums written	751,669
(2) Retroceded premiums	
2) Change in net unearned premiums	375,834
(1) Change in gross unearned premiums	375,834
(2) Change in retroceded share of unearned premiums	
Investment income	232,640
Other income	
Total incomes	608,475
Net claims incurred	309,998
1) Net claims paid	309,259
(1) Gross amount	309,259
(2) Retroceded amount	
2) Change in outstanding claims provision	739
(1) Gross amount	739
(2) Retroceded amount	
Net operating expenses	219,976
1) Gross operating expenses	219,976
2) Less Commissions received on retroceded business	
Other expenses	461
Total expenses	530,435
Operating result before payment to state	78,040
Payment to state	23,412
Net profit for the year	54,628

Cash Flow Statement

Currency: KPW'000

Year 2018	
Operating activities	
Cash generated from operations	536,217
Payment to the State	23,412
Net cash from operating activities	512,805
Investing activities	
Purchase of investment assets	(1,163,200)
Purchase of property and equipment	(565,864)
Purchase of intangible assets	(201,514)
Net cash (used in)/generated from investing activities	(1,930,578)
Net increase/(decrease) in cash and cash equivalents	(1,417,773)
Movement in cash and cash equivalents	
At beginning of year	2,880,000
Additional paid-in capital	320,000
Net increase/(decrease) in cash and cash equivalents	(1,417,773)
At end of year	1,782,227

Auditor's Report

Pyongyang Office of Auditors DPR Korea

March 29, 2019

We have audited the company's financial statements including but not limited to Balance Sheet, Income Statement and Cash Flow Statement which were drafted by the Future Re Company (Future Re) for the accounting year from January 1 to December 31, 2018.

Future Re's responsibility for the financial statements

Future Re is responsible to prepare and present these financial statements in accordance with the Law on Financial Management and the Public Accounts Law of DPR Korea.

Auditor's responsibility

Our responsibility is to check these financial statements and notify Future Re of our official results.

We have audited financial statements in conformity with the Law of Auditing of DPR Korea.

In order to verify the accuracy of financial statements, we selected the crucial documentation according to our criteria and checked the figures shown therein together with assets management status.

Not only the accuracy of financial statements but also the competency of accounting principles were closely examined. We believe that we have done our job and presented our opinion as professional auditors on a reasonable basis.

Audit opinion

We, Pyongyang Office of Auditors, opine that the audited financial statements are in full compliance with the Law of Auditing of DPR Korea and that they give a true and unbiased view of the financial position and the operating activities of Future Re as at 31st December, 2018.



Are you looking for a professional service?

If so, feel free to contact us now. We are at your discretion for our professional service.



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