



Annual Report 2019

of Future Re Company



Financial Highlights

Currency: KPW'000

	Year 2018	Year 2019
Balance Sheet		
Total assets	4,037,721	4,784,066
Total equity	3,254,628	3,802,655
Total liabilities	783,093	981,411
Income Statement		
Total incomes	608,475	1,888,700
Net earned premiums	375,835	1,090,147
Investment income	232,640	447,300
Other income		351,253
Profit for the year	54,628	814,594
Cash Flow Statement		
Reinsurance activities	536,217	652,698
Investing activities	(1,930,578)	(671,497)
Financing activities		(116,567)
Cash at the end of the year	1,782,227	1,297,749

Statement of the President

Dear Sirs.

The fiscal year 2019 was a proud year in which we made progress in hitting the targets of the company's management strategies.

In the fiscal year 2019, under the leadership of the Party and the government, remarkable successes were achieved, which an upsurge was brought about in production on all the fronts of building a socialist power and the foundations of self-supporting economy were further consolidated.

These achievements leaded to propel the progress of the insurance and reinsurance at home and to bring about the growth of our reinsurance portfolio as well.

I feel pleased about the fact that we made a leap forward in developing the company in the fiscal year 2019.

This year witnessed the record of the gross written premium income of KPW 1,141,647,000. This exceeded the estimated premium income of KPW 850,000,000 by 134.31%, which we planned from the outset of this year.

The same is the case with the investment. We set a goal of obtaining KPW 300,000,000 income from the money we have invested in several businesses throughout the year, and increased the investment income by 149.1% to KPW 447,300,000.

On the basis of these business successes, we review our work that the total assets of the company has been increased to KPW 4,784,066,000 as of late 2019 by 166.11%, compared to the original paid-up capital when the company was setup and by 118.48%, compared to the first fiscal year 2018.

The reinsurance in the fiscal year 2019 earned a net premium of KPW 1,090,147,000 and the loss ratio for the proportional, non-proportional and facultative reinsurance contracts is 66.29% in average, which would be appreciated as positive.

The fiscal year 2019 which witnessed a progress in all the business activities proves the fact that the company's management strategies were based on the market demand.

With these achievements as the momentum, we, in accordance with the management strategy and goals based on the credit-first and people-oriented principles, are will surely expand in the year 2020 the scope of reinsurance provisions to the insurance market at home and increase the premium income and the capacity coverage for reinsurance and by so doing, we will bring about more achievements than what we made in 2019.

We will work out the company's management strategy in such a ways as to improve the diversified business structures and the profitability in the use of capital.

In 2019 under review, I, on behalf of the executive committee members and all staffs, would like to extend our thanks to all of you for the trust and support to Future Re.

In 2020 we will live up to your confidence and expectations in Future Re with credit.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kim Chang Ho', with a stylized, cursive script.

Kim Chang Ho
President,
Future Re Company

Management Strategy and Principles

The company has set the goals for this year by holding fast permanently to its management strategy and principles, and is now making efforts to attain them.

Management Strategy

It is aimed at ensuring maximum profits with principle for putting business activities on an optimal and diversified basis through efficient investment in businesses from which the highest returns are offered.

Principles

We place protection of the people's life and property before anything else in all activities of the company-this is our general principle.

To steadily improve the management of the company by subordinating everything to conducting positive and effective business activities is the consistent principle of the company.

We plan to make the company staffed with talented personnel who would strive to achieve its objectives with their high abilities, enthusiasm for work and a single mind with the company-this is our main principle as well.

We should conduct a regular survey and control over all the reinsuring subject matters provided with reinsurance coverage.

By applying the above-strategy and principles in all business activities, we will obtain the following goals for sustainable growth of business income:

- To raise the gross capital of the company by more than 2 times than the original paid-up capital in a short period,
- To increase the level of reserves for technical provisions,
- To have the optimal investment income.

Confidence In Tomorrow!

Management Report

We set a new goal from the outset of the year 2019 and have made proactive efforts to attain it.

The growth in net earned premium income for the fiscal year 2019 which was increased by 151.88% with KPW 1,141,647,000 as against the fiscal year 2018, clearly shows that the market at home was soft for reinsurance coverage.

In the underwriting year 2019, we further improved the conditions of reinsurance coverage in due consideration of the interests of insurers. With a view to meeting the growing demand for reinsurance coverage we promoted the expansion of reinsurance to several businesses in close cooperation with the insurance companies at home, thus sustainably increasing profitability of the company.

As a result, the annual gross premium income from the reinsurance business for the property and casualty insurance accounted for 41.62% to KPW 475,195,000 of the gross reinsurance premium income of the company.

In this way, we rendered active services to increasing the assets of the company by KPW 746,345,000 than in fiscal year 2018.

During the fiscal year 2019, we increased investment income of KPW 447,300,000 by 192.27%, compared to that of in the fiscal year 2018, and thus, exceeding the expected goal of KPW 300,000,000 at the outset of the year.

We purchased the available-for-sale financial assets which accounted for 19.77% of the total assets of the company and ensured sustainable increase in the technical provisions necessary for putting the whole management of the company on a stable footing, i.e. the technical reserves for reinsurance and investment amount to KPW 943,386,000.

Property and Casualty Reinsurance

Property and casualty insurance is accounting overwhelming proportion of the insurance business portfolio and thus an importance is being attached to these business lines.

As a result, the local insurers are endeavoring to provide with reliable insurance coverage and maintain their indemnity payment capacity as suited to the corresponding levels.

In conformity with the positive activities of local insurance companies, reinsurance is assessed to be important business and need to improve the reinsurance coverage to a higher level.

Given this, we, Future Re are dealing with the property and casualty reinsurance business lines as a first rank of our business portfolio.

We renewed various proportional, non-proportional and facultative treaties concluded with local insurance companies for two consecutive years and signed several new reinsurance contracts at renewal session of the underwriting year 2019.

From the Property and Personal Accident XL contract renewed for UY 2019 we wrote the net premium income of KPW 475,195,000.



Marine Reinsurance

In the underwriting year 2019, we came up for renewal of several marine reinsurance treaties such as Marine Cargo Quota Share Treaty, Marine Hull Quota Share & Surplus Treaty, Excess of Loss Reinsurance Contracts of P&I Liability, Marine Cargo and Marine Hull.

Meanwhile, we newly signed the reinsurance contracts of Port Liability and Aircraft Third Party Liability, and Fishing Vessel Facultative Reinsurance contract.

The net earned premiums of the reinsurance contracts which were renewed in the underwriting year 2019 amounted to KPW 134,779,067 in Marine Cargo Quota Share Treaty, KPW 30,128,530 and KPW 1,400,000 in Marine Hull Quota Share & Surplus Treaty and P&I Liability Reporting Excess of Loss Reinsurance Contract respectively.

Moreover, the net earned premiums of renewed Marine Cargo Excess of Loss Reinsurance and Marine Hull Excess of Loss Reinsurance totaled KPW 3,105,000 and KPW 1,144,800.

Next, Port Liability, Aircraft Third Party Liability and Fishing Vessel contracts, newly signed in the underwriting year 2019, recorded the net earned premiums of KPW 967,500, KPW 2,070,000 and KPW 760,661.

As a result, we wrote the total net earned premiums of KPW 171,355,558 from the Marine Reinsurance business in the year under review.

Agriculture Reinsurance

For the underwriting year 2019, we renewed reinsurance contracts of Crop Stop Loss Treaty (Rice Only), Crop Stop Loss Treaty (Maize Only), Potato Quota Share Treaty and newly countersigned a Quota Share Treaty for Aquaculture and Fruit.

Crop Stop Loss Treaties (Rice Only) wrote the net earned premiums of KPW 29,251,054 and KPW 26,640,458 and Crop Stop Loss Treaty (Maize Only) wrote the net earned premiums of KPW 6,504,205. On the other hand, the net earned premiums of Potato Quota Share Treaties amounted to KPW 9,105,527 and KPW 13,531,487 respectively.

Next, Aquaculture and Fruit Quota Share Treaty posted a record of net earned premium of KPW 6,846,255.

During the underwriting year 2019 under review for the Agriculture Reinsurance business, the annual net earned premiums amounted to KPW 91,698,985 and the total claim recorded KPW 7,828,607.



Engineering Reinsurance

During the underwriting year 2019 we renewed the Engineering Quota Share Treaties and the Civil Engineering Completed Risks Excess of Loss Treaty and MB & MLoP Facultative Reinsurance.

The Engineering Quota Share Treaties wrote the gross written premiums of KPW 80,609,423 and KPW 22,317,241.

On the other hand, the Civil Engineering Completed Excess of Loss Treaties recorded the gross written premiums of KPW 11,790,000 and KPW 16,528,585.

For the underwriting year 2019 we renewed MB & MLoP Facultative Reinsurance and its gross written premium recorded KPW 844,941.

As regards the claims of the reinsurance contracts renewed in the underwriting year 2019, the claims of Engineering Quota Share Treaties amounted to KPW 47,337,992 and KPW 9,667,288 respectively.

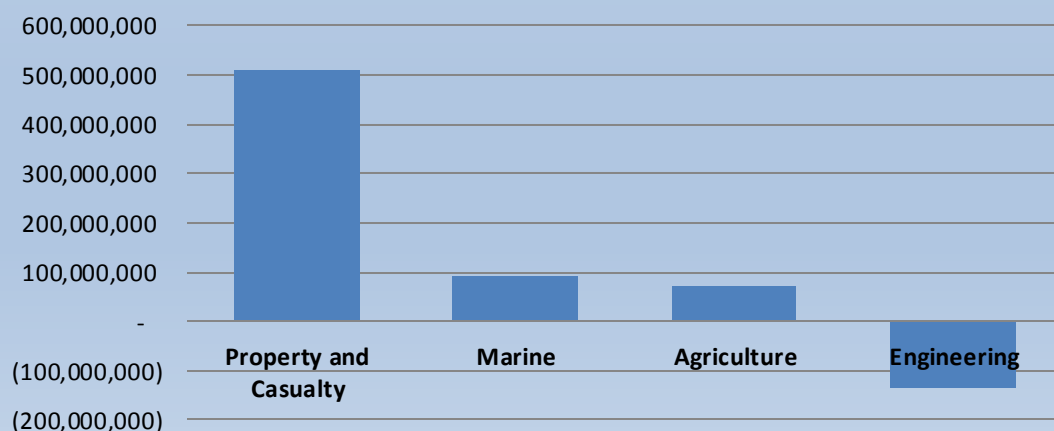
Civil Engineering Completed Risks Excess of Loss Treaty recorded the claim of KPW 175,355,939. This claim attributed mainly to Typhoon Lingling causing severe damage to several areas of the country from 7th to 8th September, 2019.

As for the Engineering Reinsurance business in the year under review, gross written premiums of KPW 132,090,190 were recorded and the total claim amounted to KPW 232,361,219.

Reinsurance Net Balance as per the Class of Insurance

As at 31 December 2019

Class of Insurance	in KPW
Property and Casualty	508,585,249
Fire	14,590,494
Motor	14,660,538
IAR	4,139,217
Casualty	475,195,000
Marine	93,673,498
Marine Cargo	50,877,151
Marine Hull	32,552,158
Protection & Indemnity (P&I)	2,800,000
Port Liability	1,935,000
Fishing Vessel	1,369,189
Aircraft Third Party Liability	4,140,000
Agriculture	72,949,103
Crop (Rice only)	55,711,512
Crop (Maize only)	6,504,205
Potato	8,017,303
Aquaculture & Fruit	2,716,083
Engineering	(136,276,591)
Civil Engineering Completed Risks (CECR)	(151,995,929)
Engineering (CAR/EAR, MB)	15,043,385
Machinery Loss of Profit	675,953
Total	538,931,259



Investment Business

During the fiscal year 2019 we allotted the total capital of KPW 2,109,200,000 in investment activities.

The amount of KPW 753,200,000 were invested to some enterprises with profitable operation, and the amount of KPW 410,000,000 allotted to the real estate maintained in the fiscal year 2019 as well-these account for 35.71% and 19.44% of the total investments respectively.

We invested the amount of KPW 946,000,000 to purchase equity securities in the year 2019.

As regards the incomes from these investments, the income from loan amounted to KPW 271,152,000 and the rental income from the real estate totaled KPW 28,700,000, accounting for 60.62% and 6.42% of the annual investment income, respectively.

The income from the equity securities, amounted to KPW 132,440,000, 29.61% of the annual investment income

In addition, we obtained the interest income of KPW 15,008,000 from the current and time deposits.

Given this, we ascertained the outcome of income from investing activities portfolio the total of KPW 447,300,000, 192.27% compared to that of the first fiscal year 2018.



Risk Management

The professional risk assessment and management constitute an important guarantee and a crucial factor for the positive reinsurance business result of the company.

The reinsurance department of the company is fully responsible for the risk assessment and management of the reinsuring subjects and risks which are under our reinsurance coverage and we are monitoring and controlling over risk factors which might cause an insurance accident.

We introduce an advanced method tailored to assessing risks and attach importance to regularly manage the risks and improve the accuracy in the risk analysis.

The level of the loss reserves for the potential claims is determined by the insurance statistical analysis of data for the losses caused in the determined period of previous years.

Moreover, reinsurance coverage for the proportional and non-proportional facultative treaties is strictly provided in accordance with the underwriting guidelines for the reinsurance business.

All investment business activities including an effective management of capital geared to making an optimum investing size and maximizing profit, are also carried out in accordance with the provisions stipulated in the working guidelines for investment approved by the Executive Committee.



Human Resources Buildup

In the year under review, the company staff increased by 30% compared to the early days of its establishment.

We employed new underwriters of reinsurance and made investment in preparing the insurance and reinsurance specialists in the company as the talented staff possessed of remarkable business ability and sci-tech knowledge in conformity with the development in the national and international markets.

All the underwriters have steadily improved their business abilities and sci-tech knowledge so as to introduce various innovative methods conducive to the company's development.

For the realization of the company's management strategy, they have put forward their business goals and are trying to achieve them tirelessly.

It is also part of the company's work for achieving the immediate goal to sum up the annual result of every underwriter and introduce the bonus system for their results on a rational basis. Such a system encourages them to have a high sense of responsibility for their work and play their role in it, thus achieving maximum results with a great zeal for their work.

This efficient and scientific management way enables the company to carry on the whole of the business with success and provides a guarantee for presentable business results.

Business Prospects

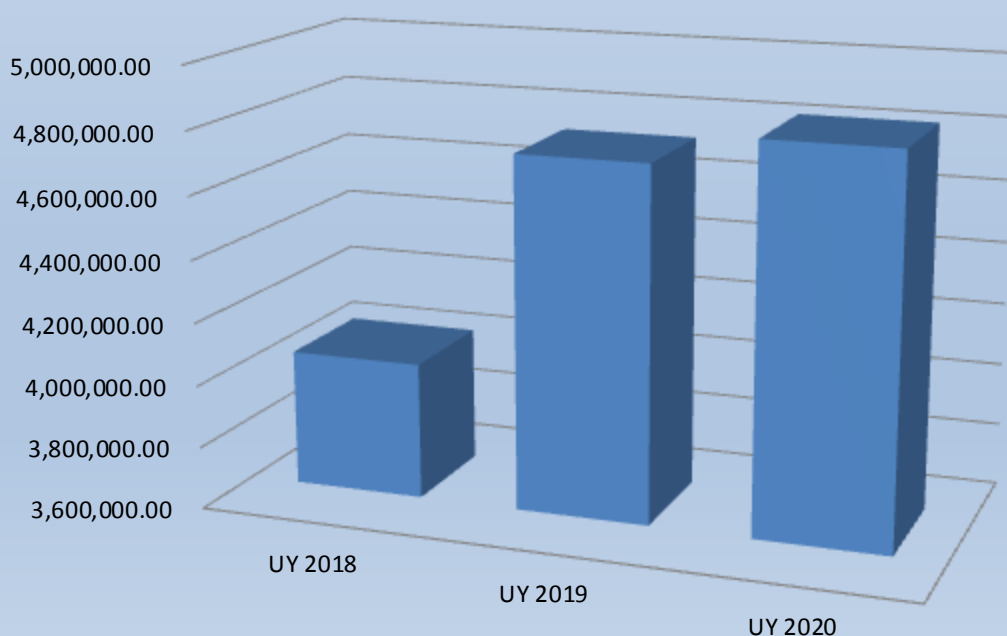
In the underwriting year 2020, the company will give precedence to underwrite non-proportional treaties than proportional ones.

Especially, it plans to take a larger reinsurance share of the property and casualty insurance in 2020 than in 2019, which would play the important role in the growth of the annual reinsurance business income. And the company plans to increase the loss reserves as well.

Due to COVID-19 bringing about a catastrophic effect on economic growth while spreading worldwide, the investment income for the year 2020 is assessed to be less than what the company has planned at the outset of the year.

Accordingly, we expect a 102% increase compared to that for the year 2019.

Development Trend as per Underwriting Years



Financial Statements

Balance Sheet		
<i>As at 31 December 2019</i>		
	<i>Currency : KPW'000</i>	
	Year 2018	Year 2019
Assets		
Intangible assets	201,514	232,570
Tangible assets and inventories	565,864	707,605
Investment properties	1,163,200	1,163,200
Financial assets		946,000
Receivables	100,002	285,412
Cash at bank, cheque and cash in hand	1,782,227	1,297,749
Other assets	224,914	151,530
Total assets	4,037,721	4,784,066
Equity		
Paid up capital	2,880,000	3,200,000
Additional paid-in capital	320,000	100,000
Retained earnings	51,897	459,194
Contingency reserve	2,731	43,461
Total equity	3,254,628	3,802,655
Liabilities		
Technical reserves	727,638	943,386
Unearned premiums	375,834	524,974
Outstanding claims	14,776	18,559
Accounts payable on reinsurance business	336,289	87,198
Investing activities	739	312,655
Accrued liabilities	54,994	37,185
Other liabilities	461	840
Total liabilities	783,093	981,411
Total equity and liabilities	4,037,721	4,784,066

Income Statement		
<i>As at 31 December 2019</i>		
	<i>Currency: KPW'000</i>	
	Year 2018	Year 2019
Underwriting Income		
Net premiums earned	375,835	1,090,147
Net written premiums	751,669	1,141,647
Gross written premiums	751,669	1,141,647
Change in unearned premiums reserves	(375,834)	(51,500)
Investment income	232,640	447,300
Income from investment properties	85,040	28,700
Loans and receivables	147,600	271,152
Available-for-sale financial assets		85,140
Financial assets at fair value through profit or loss		47,300
Current and time deposits		15,008
Other income		351,253
Total incomes	608,475	1,888,700
Claims incurred	(309,998)	(475,411)
Net claims paid	(309,259)	(476,153)
Gross claims paid	(309,259)	(476,153)
Change in outstanding claims reserves	739	742
Operating expenses	(219,976)	(248,743)
Management expenses	(219,976)	(247,903)
Other expenses	(461)	(840)
Total expenses	(530,435)	(742,994)
Operating result before payment to state	78,040	1,163,706
Payment to state	(23,412)	(349,112)
Net profit for the year	54,628	814,594

Cash Flow Statement		
<i>As at 31 December 2019</i>		
	<i>Currency: KPW'000</i>	
	Year 2018	Year 2019
Reinsurance activities		
Gross written premium and increase in premium receivable	751,669	1,141,647
Gross claims paid and payable	(309,259)	(475,411)
Commission paid	(187,917)	(138,839)
Exchange gains and other operations	281,724	125,301
Net cash from reinsurance activities	536,217	652,698
Investing activities		
Purchases of investment assets	(1,163,200)	
Purchases of property and equipment	(565,864)	(141,741)
Purchases of intangible assets	(201,514)	(31,056)
Purchases of securities		(946,000)
Interests received		447,300
Net cash (used in)/generated from investing activities	(1,930,578)	(671,497)
Financing activities		
Proceeds from note issued		250,000
Dividends paid to equity shareholder		(366,567)
Net cash (used in)/generated from financing activities		(116,567)
Payment to the State	(23,412)	(349,112)
Net increase/(decrease) in cash and cash equivalents	(1,417,773)	(484,478)
Movement in cash and cash equivalents		
At beginning of year	3,200,000	1,782,227
Net increase/(decrease) in cash and cash equivalents	(1,417,773)	(484,478)
Cash and cash equivalents at the end of year	1,782,227	1,297,749

Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements consisting of Balance Sheet, Income Statement and Cash Flow Statement prepared by Future Re Company (Future Re) for the accounting year 2019.

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 Law on Public Accounts of DPR Korea.

AUDITOR'S RESPONSIBILITY

Our responsibility is to check these financial statements and notify Future Re of our official report. We have audited financial statements in conformity with the Law on Auditing of DPR Korea.

In order to verify the accuracy of financial statements, we checked the figures shown therein together with assets management status.

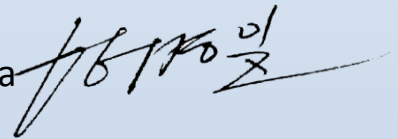
Not only the accuracy of financial statements but also the competency of accounting principles were closely examined. We believe that we have done our job and presented our opinion as professional auditors on a right and enough basis.

Audit opinion

We 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, 2019.

Pyongyang, 25th March, 2020

Han Myong Il, Director, Auditing Office, DPR Korea

A handwritten signature in black ink, appearing to be '한명일' (Han Myong Il), written in a cursive style.

O Un Hyang, Manager, Auditing Office, DPR Korea

A handwritten signature in black ink, appearing to be '오운향' (O Un Hyang), written in a cursive style.



Need a custom solution?

Let us know what issue you're facing and
we'll figure out a way to help you solve it.

Contact Us

Address: Jongbaek-Dong No. 2, Rangnang
District, Pyongyang, DPR Korea

Phone: 850 2 18333 ext. 3818304

Email: future@futurere.com.kp