



Sustainability

Fatum: Annual Report 2008

# SUSTAINABLE PRESENCE

in an ever-changing world



Sustainability

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"The future belongs to  
those who believe in the  
beauty of their dreams"

*(Eleanor Roosevelt)*

Let's dream the  
Fatum dream!



It is with great pleasure that we present our 2008 annual report. Drawing on its heritage as the leading and trusted company that helps clients protect their wealth, in 2008 Fatum once more affirmed its *raison d'être*. Throughout the 104 years of its presence in the Dutch Caribbean, Fatum has consistently delivered tangible value for its stakeholders. Fatum's management and staff have succeeded in growing the business to today's level of ANG 1.145.507 billion total assets, thanks to a persistent and strong focus on the customer, sustained commercial activity and solid investment opportunities. The core principles of transparency, operational excellence and exceeding expectations have enabled the company to attain its position of leadership in the Dutch Caribbean and to move forward while delivering value to customers, employees and shareholders alike.

"Planning is bringing  
the future into the present  
so that you  
can do something  
about it now"

*(Alan Lakein)*

## A Message from the Supervisory Board

Fatum ended the year 2008 with a net profit of ANG 13.3 million, a decrease of 33% as compared to the previous year. The 2008 results were strongly affected by the global financial crisis and its accompanying investment fair value losses. If these effects are taken into consideration, the Fatum results can be viewed as satisfactory. The 2008 consolidated group results of Guardian Holdings Limited, Fatum's parent company, showed a net result of US\$ 32 million, as compared to the 2007 results of US\$ 19 million. The Board is confident that all ingredients for sustainable growth and lasting success are present.

During the latter part of 2008, financial markets around the world started experiencing substantial decline as the severe credit "crunch" drew all major economies into recession. While no financial services provider can reasonably be expected to escape this turmoil, Fatum and the GHL Group as a whole proved to be well-positioned to handle the fluctuations and uncertainties of the market. This stability is based on a prudent and disciplined investment philosophy and is evident in the underlying quality of our investments.

No one dare predict when the storm will pass. Under circumstances like the current financial crisis, the key for our success lies in the sustained soundness of our business practices and our ability to effectively evaluate risks based on what we believe will happen not just today, but also years from now. Fatum's and GHL's safeguards for investor assets based on our investment guiding principles (transparency, high diversification, limited leverage and application of strict pricing disciplines) will remain crucial for withstanding financially difficult conditions now and in the future.

Guardian's strategy is geared towards being the dominant Wealth Protection and Management Champion of the Caribbean, while realizing sustainable value for all stakeholders. Fatum has committed to and adopted this strategy. Accordingly, opportunities for inorganic growth through strategic alliances will continue to be a main focus of attention in the coming years, as we seek to balance affordable insurance today with the real costs of insurance over time. This is fundamental for the long-term sustainability of our business and ongoing protection of our communities.

The Supervisory Board is fully aware of the significance of its responsibilities. The Board met four times in 2008. Major issues requiring active engagement of the Board were the initiatives for adding additional value to the customer orientation and operational excellence through new automated systems and advised upon accompanying work processes. The Board also discussed the opportunities for faster value creation and sustainable growth, and ways to capitalize on a high performance culture, taking into consideration the challenges in the external environment such as increased price competition and global climate change. >

## Meet the Members of the Supervisory Board

As of December 31, 2008.



Mr. H.P. Ganteaume  
Chairman



Mr. O. van der Dijs



Mr. J. Richters



Mr. D. Camacho

The Audit Committee of the Supervisory Board also met four times in 2008. All meetings were attended by representatives of the Supervisory and Executive boards and by Fatum's internal auditor. Ernst & Young, the external auditors, have a standing invitation to all Audit Committee meetings. During the Audit Committee meetings, the reports and other issues brought forward by the external and internal auditors were discussed, as were the follow-up actions taken by Management. Important subjects receiving attention from the Audit Committee in 2008 were compliance and risk management. The final preparations are being made to extend the scope of the current audit charter to incorporate a group compliance, risk and governance framework.

In 2008 Mr. Peter July resigned from the Board, following the acquisition by RBC of RBTT Financial Holdings Limited. The Supervisory Board thanks Mr. July for his excellent service to Fatum and wishes him all the best in his future endeavors.

In January 2009, Mr. Jeff Mack joined Guardian Holdings Limited as the designated successor of Group CEO Mr. Peter Ganteaume. We extend our warmest words of welcome to Mr. Mack! We are extremely honored by his willingness to come on board and contribute to the further development of the GHL Group. Mr. Ganteaume maintains his valued relationship with Fatum as the non-executive Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Executive Board members for the solid performance in 2008. The Executive Board's focus on the prudent group investment principles proved to be of great value in the challenging circumstances of the financial markets throughout the year. The Supervisory Board would also like to express special words of appreciation to the employees of Fatum who are taking care of the interests and needs of customers, shareholders and all other Fatum and GHL stakeholders every day.

Mr. H.P. Ganteaume  
Chairman



As we approach our 105th year of sustained presence in the Dutch Caribbean, we are pleased to look back and see a track record of accomplishments that makes us proud. The presence of Fatum throughout the past 104 years is powerful proof for our ability to recover, renew and lead. We keep working on welcoming our customers in an environment where state-of-the-art products combine with a prudent approach inherited from our proud past.

## A Message from the Executive Board

The best of the old and the new merge in perfect harmony as we learn from our past and continue to innovate towards the future. In fact, sustainable enterprising is the reason why we have adopted 'sustainability' as the theme for our 2008 annual report.

As a leader in the insurance industry we acknowledge our responsibility to the communities around us. We are constantly aware of the fact that economic development needs to be compatible with human welfare and a healthy environment.

Fatum has been recycling water for the past ten years, and we are a dedicated contributor to a community paper-recycling project. During 2008, we continued to improve our sustainable performance. We particularly made progress on supporting initiatives that improve the energy efficiency of the buildings we occupy. This will not only reduce our operating costs, but also benefit the environment.

We will continue our endeavors to identify realistic, sustainable solutions for reducing energy wastage. This will help us achieve a balance between economic development, social welfare and a sound environment, delivering superior outcomes for our customers, employees and shareholders. For us as an insurance company, a sustainable tomorrow starts with managing risks today, and unlocking the opportunities contained within these risks by integrating sustainability into our core strategies.

### Financial performance

Fatum ended the year 2008 with a net profit of ANG 13.261 million, a decrease of 33% as compared to the previous year. The 2008 results were strongly affected by the global financial crisis and its accompanying fair value losses. The gross yield on investments was 6.7%, as compared to 7% in 2007. If these effects are taken into consideration, the Fatum results can be considered satisfactory. The Life business showed a net premium income of ANG 101.0 million, a 12.6% net premium increase as compared to 2007. The Health business also showed an interesting performance of ANG 26.2 million net premium representing an increase of 15.4%, while the net premium level of the General Insurance business of ANG 36.4 million showed an increase of 11.3% compared to the previous year.

Fatum's solvency position is exceptionally strong and is almost three times above the local requirements of the Central Bank of the Netherlands Antilles. In addition, Fatum is fully in compliance with the regulatory rules imposed on investments that allow a maximum of 40% of the investments to be placed abroad.

### Operational excellence and high performance culture

In the year 2008, Fatum continued its successful Operational Excellence Program aimed at driving year-over-year cost efficiency, setting new >



## Sustainability

"Out of clutter... find simplicity.  
From discord... find harmony.  
In the middle of difficulty lies opportunity."

*(Albert Einstein)*

standards for world-class quality, satisfying ever more demanding customers and being at the forefront of product design and innovation. In pursuit of operational excellence, Fatum strives to strike the right balance between strategy, organization, process and technology. For the Life and Health business units, the 2008 initiatives have enabled Fatum to improve business processes and systems, resulting in superior customer service.

Fatum completed the implementation of its large-scale automation project for the Individual Life and Group Life businesses. The realization of this critical project has enabled Fatum to move forward in providing high levels of service to the community at large and to further optimize its position in the Life and Employee Benefit markets.

### Market Outlook

The Netherlands Antilles economy continued to show positive growth. In 2008 the GDP of the Netherlands Antilles expanded by 1.9%, accompanied by an inflation rate of 6.9% in Curacao and 4.6% in Sint Maarten. The year 2008 was marked by record highs and lows for crude oil, resulting in an increase in prices and a spiral of rising costs in other areas of business as well. Global challenges such as the financial crisis and export restrictions imposed by the Venezuelan government on US dollars and other goods also started to show their effect on the local economies. For Aruba, a moderate economic outlook is foreseen. The inflation rate grew to 8% in 2008. Being primarily a tourist destination and suffering from an expected decline in the tourism industry, opportunities for diversifying the economy are being explored by the authorities. The main focus for the coming year is to facilitate a competitive investment climate and to guarantee sustainable economic development.

The constitutional restructuring process in the Netherlands Antilles is moving forward at a steady pace. Curacao and St. Maarten will attain an autonomous status within the Dutch Kingdom, while the smaller islands Bonaire, Saba and Sint Eustatius will obtain a

status comparable to a Dutch municipality. The full restructuring of the Antilles is projected for the end of 2010. Besides the Dutch support regarding the relief of the state debts, Dutch-funded programs are currently being executed to improve the sustainable socio-economic development and good governance in the islands.

### Customer services

Customer satisfaction, highly valued by Fatum, is determined by high quality, demand-based products and services offered at fair prices and with transparent terms. Above all else, Fatum firmly believes that a lasting relationship of trust needs to be created and maintained with the customer. We are there to serve the interests of our customers! Helping our customers understand their exposure to risk to make the right decisions about the required level of cover and how to reduce their risks is one of the strongest benefits we can deliver. Our commitment to our customers extends beyond the point of sale and therefore we regularly monitor our customers' satisfaction with our products and services at the time of sale as well as at the point of claim. Privacy is taken very seriously by Fatum. We will continue to safeguard customer information with the greatest care.

### Employee care

In order to remain successful, Fatum invests not only in new products and modern concepts, but in the first place in its employees. Our employees determine our success with all other stakeholders and they need to be well aware of their share in the responsibility for successfully achieving sustainable development for Fatum. Establishing a workplace that supports and involves our employees, and inspires them to continuously contribute value and to remain committed to our mission, is one of our most important goals. Targeted training courses are used to provide employee support and development. In addition, Fatum initiated change management processes that focus on customer handling skills. For the purposes of fostering a participatory style of management and providing all employees with optimal working conditions, Management periodically informs the employees about issues concerning the company's financial standing, strategy and operational highlights. Feedback from personnel (opinions, suggestions and complaints) is used as input for subsequent activities.

Once a year, all our employees receive a performance evaluation aided by our performance evaluation system that helps ensure that objective criteria are applied. These evaluations are carried out to ensure the existence of an environment suitable for the attainment of company goals, to identify and improve competency levels and priorities and to further improve the flow of information at all levels through feedback and a two-way communication >



Fatum Olympic Triathlon

"The starting point for a better world is the belief that it is possible."  
*(Norman Cousins)*

structure. Objective-based evaluation criteria have been included in the performance evaluation system in addition to the performance based evaluations of middle and senior managers.

**Corporate Governance and Risk Management**

We at Fatum believe that good corporate governance means focusing on growth while managing the risks that come with that growth. The effectiveness of a solid governance framework is supported by a continuous refreshment of the Fatum values of integrity, transparency, teamwork and social responsibility in our daily behavior. Fatum is well aware of its role as an exemplary corporate citizen and consequentially fully committed to the right governance principles. Our efforts are continuously geared towards ensuring full compliance with all applicable laws, regulations, internal policies, codes of conduct and standards of good practice in the Netherlands Antilles and Aruba.

Corporate governance is a dynamic process. Fatum Management constantly re-evaluates the company structure to be able to respond adequately to changes and to evolve best practices in the home markets and beyond.

Managing risk is critical to the insurance business and in fulfilling our obligations to stakeholders. As a company that insures the risks of its policyholders with a great sense of responsibility, it is of paramount importance that we strengthen our capabilities to manage our own risks and consequently achieve optimum returns.

During 2008, a common approach to risk management and reporting was further embedded within Fatum, ensuring consistency and good practice in managing, monitoring and reporting risks.

It is of critical importance to the company to maintain an efficient and effective risk management environment. We believe in creating a 'risk culture' where staff is aware of possible risks even when adequate controls are well in place to prevent a major breach. Building risk awareness is given priority and promoted through learning. Staff at all levels is encouraged to identify risks pertaining to its areas of work with associated risk corrective actions while promoting accountability.

**Corporate citizenship**

We have a long and proud history of supporting a wide range of community programs, partners and activities. Social responsibility is a core value and a foundation of the way we operate at Fatum. Our commitment to corporate social responsibility is an important step in ensuring that we engage constructively with customers, governments, our people and the many communities in which we operate. In 2008 we continued our support of charitable and non-profit organizations that serve our communities. Projects on all islands received donations from Fatum. The projects that we are most likely to sponsor include youth programs, education initiatives, sports events and health programs.

One of the best-known Fatum events is the Fatum Run, where participants run or walk 10 km on the last Sunday in October. With an ever-increasing number of participants (over 3200 in 2008), it is among the most popular running events on the island. The Fatum Run promotes healthy activity and celebrated its 25th anniversary in 2008.

Other important events sponsored by Fatum include the annual Fatum Triathlon in May, the annual Golf Tournament and the annual Fishing Tournament. Fatum's annual sponsoring of a Christmas dinner for school kids has become a highly appreciated happening. Fatum also supports several groups participating in cultural parades such as carnival and Seú, the traditional annual harvest celebration.

**The Executive Boards concluding remarks**

In 2008, Fatum made further progress in the implementation of the basic conditions for sustainable development. Moving forward, the challenge now lies in effectively integrating sustainable thinking into our company in a way that best fits our operations and business methods while still delivering the performance agreed upon with the shareholder. The integration of sustainability-oriented thinking into products and services is crucial. The new evolved operating model provides our businesses with the control that they need to execute strategies and measure performance within Fatum's performance framework. The time is here to merge accountability and responsibility for a further integration of sustainable performance into our business operations.

We look forward to another year of continued commitment to the sustainability of our business. Sustainability: taking care of tomorrow... today!

**I.S. (Steven) Martina**  
 Managing Director Fatum Caribbean

Diego Frankel   
 Managing Director Aruba, Bonaire, Sint Maarten

Marten O'Niel   
 Managing Director Commerce

Dorothy Romero-Sprockel   
 Managing Director Finance

Francis Gijsbertha   
 Managing Director Operations

*Meet the Members  
of the Executive Board*



**Steven Martina**  
 Managing Director  
 Fatum Caribbean



# Consolidated Balance Sheet 31 December 2008

(Expressed in thousands of Antillean Guilders)

	2008	2007
<b>Assets</b>		
Property, plant and equipment	37,797	38,835
Investment properties	1,237	614
Intangible assets	1,245	0
Financial assets	802,228	782,473
Loans and receivables including insurance receivables	146,965	138,291
Pension plan assets	15,973	20,095
Re-insurance assets	17,801	21,271
Deferred tax assets	84	0
Deferred acquisition costs	2,823	2,805
Cash and cash equivalents	50,436	36,533
Other assets	68,918	53,556
<b>TOTAL ASSETS</b>	<b>1,145,507</b>	<b>1,094,473</b>
<b>Shareholder's Equity and Liabilities</b>		
<b>Shareholder's Equity</b>		
Share capital	25,001	25,001
Share premium	74,029	74,029
Reserves	6,729	5,623
Retained earnings	68,739	93,233
<b>Total Equity</b>	<b>174,498</b>	<b>197,886</b>
<b>Liabilities</b>		
Insurance contracts	899,217	817,340
Financial liabilities	2,956	0
Post retirement medical benefit obligations	20,407	16,387
Deferred tax liabilities	4,193	2,714
Provision for taxation	4,570	21,233
Other liabilities	39,666	38,913
<b>TOTAL LIABILITIES</b>	<b>971,009</b>	<b>896,587</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,145,507</b>	<b>1,094,473</b>

# Consolidated Income Statement 2008

(Expressed in thousands of Antillean Guilders)

	2008	2007
Insurance premium revenue	182,062	162,169
Insurance premium ceded to re-insurers	(18,374)	(17,000)
<b>Net insurance premium revenue</b>	<b>163,688</b>	<b>145,169</b>
Investment income	64,640	62,768
Net fair value gains / (losses) on financial assets	(7,890)	1,326
Commission income	2,208	1,966
Fee income	863	1,002
Other operating income	233	5,229
	<b>223,742</b>	<b>217,460</b>
Net insurance benefits and claims	166,656	147,308
Expenses	50,637	43,904
<b>Profit / (loss) before taxation</b>	<b>6,449</b>	<b>26,248</b>
Taxation	6,812	(6,530)
<b>Profit / (loss) for the year</b>	<b>13,261</b>	<b>19,718</b>

"The future belongs to those who understand that doing *more* with *less* is compassionate, prosperous and enduring, and thus more intelligent, even competitive"

(Paul Hawken)

## Significant Accounting Policies

The consolidated balance sheet and consolidated income statement as presented on previous pages have been derived from the consolidated financial statements of Fatum Holding N.V. These explanatory notes are an extract of the detailed notes included in the consolidated financial statements.

### 2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, and financial assets and financial liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

#### (a) Interpretations / amendments to published standards effective in 2008

The following interpretations / amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2008:

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 states that share-based payment transactions in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether (i) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholders or (ii) the share-based payment arrangement was settled by the entity itself or by its shareholders.

IFRIC 11 also addresses the share-based payment arrangement where a parent grants rights to its equity instruments direct to its employees of its subsidiary. The subsidiary shall account for the transaction in its individual financial statements

as equity-settled with a corresponding increase recognized in equity as a contribution from the parent. The adoption of this interpretation had an impact on the Group's financial statements.

- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The issues addressed in this interpretation are (a) when refunds or contributions in future contributions should be regarded as available in accordance with IAS 19, (b) how a minimum funding requirement might affect the availability of reductions in future contributions and (c) when a minimum funding requirement might give rise to a liability. The adoption of this interpretation did not have a material impact on the Group's financial statements.

- Reclassification of Financial Assets – Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective from 1 July 2008). This amendment issued in October 2008, permits an entity to re-classify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

The adoption of this amendment did not have an impact on the Group's financial statements as the Group does not classify any financial assets as available-for-sale.

### Consolidation

#### Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently >

exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

All inter-company transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The following (100%) subsidiaries have been included in the consolidation:

- Fatum Health N.V.
- Fatum General Insurance N.V.
- Fatum Life N.V.
- Home and Properties N.V.
- Fatum General Insurance Aruba N.V.
- Fatum Life Aruba N.V.

#### Financial Assets

The Group classifies its investments into the following categories: financial assets at fair value through profit and loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

##### (a) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit and loss or

available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

##### (c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Group's management has the positive intention and ability to hold to maturity.

Regular purchases and sales of investments are recognized on settlement date – the date on which there is a cash outflow or inflow. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the income statement in the period in which they arise.

The fair value of publicly traded instruments is based on quoted market values. Market values were determined on the basis of available information at the end of the financial year, and therefore did not take into account subsequent movements. Where market value is not available and no similar comparative market instruments are available, cost is used to approximate the fair value.

##### Insurance contracts/Net insurance premium revenue/Net insurance benefits and claims

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

##### - Short-term insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), marine and health insurance contracts. Health insurance contracts include both group and individual health insurance.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

##### - Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income. A margin for an adverse deviation is included in the assumptions.

The liabilities are recalculated at each balance sheet date.

The reserves for the long-term life insurance contracts are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Banks of the Netherlands Antilles and of Aruba.

##### - Long-term insurance contracts without fixed terms

These contracts insure human life events (for example death or survival) over a long duration. Insurance premiums are recognized directly as liabilities whereas the change in the liabilities is reflected in the income statement. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums).

#### Solvency Margin

	2008	2007
Regulatory required margin	41,501	36,446
Available margin	174,498	197,885
Surplus	132,997	161,439

We have audited whether the accompanying abbreviated consolidated financial statements of Fatum Holding N.V., Curaçao, N.A., for the year 2008 (as set out on pages 12 till 17) have been derived consistently from the audited consolidated financial statements of Fatum Holding N.V., for the year 2008. In our auditors' report dated June 1, 2009 we expressed an unqualified opinion on these consolidated financial statements. Management is responsible for the preparation of the abbreviated consolidated financial statements in accordance with the accounting policies as applied in the 2008 consolidated financial statements of Fatum Holding N.V. Our responsibility is to express an opinion on these abbreviated consolidated financial statements.

## Scope

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the abbreviated consolidated financial statements have been derived consistently from the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the abbreviated consolidated financial statements have been derived consistently, in all material respects, from the consolidated financial statements.

Curaçao, June 8, 2009

for Ernst & Young



C. Smorenburg RA AA



drs. P.W. Aberson RA

## Sustainability Challenges and Opportunities

**In 1983, when the United Nations convened the World Commission on Environment and Development, the concept of 'sustainability' registered barely a blip on the world's radar screen. The United Nations defines Sustainability as "choices that meet the needs of the present generation without compromising the ability of future generations to meet their needs".**

The world has evolved more than 25 years since then. Global developments in this period included oil price shocks, catastrophes such as tsunamis, earthquakes and hurricanes, global warming prospects and the inception of global terrorism. As a consequence, the idea that the world community should live well now while at the same time not sacrificing the future, became more demanding. A sustainable development in this respect is characterized by taking the impact on the environment into account while working towards minimizing its consequences. It involves meeting the following objectives at the same time:

- Social progress that recognizes the needs of everyone
- Effective protection of the environment in which we live
- Prudent use of natural resources
- Maintenance of high and stable levels of economic growth and employment

The theme 'Sustainability' for our 2008 Annual Report could not have been more appropriate in view of the era that we are living in and the challenges we are facing. It is still a challenge for many to fully understand what constitutes sustainability, where it can take us as a planet and how the insurance industry should contribute to its realization and at the same time derive benefit from it.

The concept of sustainability has commonly been approached from a so-called 'triple bottom line' perspective. According to SustainAbility, the British organization accredited with coining the term and the vision of the triple bottom line in 1998, "the triple bottom line (TBL) focuses corporations not just on the economic value they add, but also on the value they destroy". "People, planet and profit" succinctly describes the triple bottom lines and the goal of sustainability:

"People" (human capital) pertains to fair business practices towards employees and the community. A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community.

"Planet" (natural capital) refers to sustainable environmental practices. A TBL company endeavors to carefully managing its consumption of energy and non-renewables and reducing waste.

"Profit" is viewed as the lasting economic impact the organization has on its economic environment.

At Fatum, we have taken the opportunity to analyze the concept of sustainability thoroughly, highlighting the relationship with our industry as well as the opportunities for mutual benefits. Sustainability as we view it, is about bringing the future into today's decision making for the benefit of our business, customers, shareholders and communities. Fatum strongly believes that our relationship with the community is the source of the trust on which our business is built. We regard sustainable development as a fundamental aspect of sound business management, in other words: sustainable enterprising. In this respect, a strong, proactive insurance industry is surely an important contributor to sustainable development, through its interaction with other economic sectors and consumers. In addition, we believe that the existing skills and techniques of our industry in understanding uncertainty, identifying and quantifying risk, and responding to risk, may be viewed as core strengths in managing the challenges we face. Insurers may be considered experts in thinking and acting on the long-term. We do, after all, make very long-term commitments to our customers.

Our philosophy of 'managing for sustainability' identifies the following aspects of sustainable enterprising:

- > **Sustainable Staffing** employee training as a life long process, employee health and safety, employee satisfaction and commitment.
- > **Sustainable Community** a solid relation with stakeholders, active participation in community projects and associations.
- > **Sustainable Markets** establishing and maintaining market share, retaining satisfied customers, offering good services.
- > **Sustainable Environment** continued awareness of the need for reducing, re-using and recycling materials (water, waste, energy).
- > **Sustainable Financials** sound insurance and investment principles. Cost control and cost leadership. Budget accountabilities and transparency.

In this chapter, we will further elaborate upon these aspects, highlighting their importance, reflecting on how Fatum has put them in practice throughout the years and envisioning how to proceed. In the end, one main conclusion will stand: *a sustainable enterprise has the key for tomorrow's business success and is defined as the enterprise succeeding in managing all the aspects (financial, commercial, social and environmental) of its business in an optimal way. Let's go for it!*

## Sustainable Staffing... the way we work

### The meaning of Sustainable Staffing

Sustainable staffing can be defined as a dynamic process that results in the efficient, effective use of qualified staff and the stewardship of resources to achieve the best possible outcomes for customers, employees and the company. It enables employees to realize their potential and to optimize their quality of life within the company as well as in the wider society, in ways that simultaneously protect and enhance the Earth's life support systems. Achieving and maintaining sustainability in staffing requires constant flexibility, commitment, and innovation from the company.

### Sustainable Staffing... viewed from the Fatum perspective

Our employees have always determined our success. Since the onset of our activities in the Dutch Caribbean on July 14, 1904, many, many employees have contributed to what we are today, for a shorter or longer period, and each one in his or her personal way. They have been the face of Fatum to our customers and the community, as dedicated ambassadors. We are thankful to all of them! We want all our people to be capable of executing their daily job in the most effective way, and we provide training facilities as well as coaching and feedback through periodic performance appraisals. In addition, we appreciate our staff being enriched and empowered through their role in providing socially beneficial services to the community, as this creates value for the individuals, the company and our society. Especially social programs and services geared towards the youth have our fullest commitment. The youth of today will be leading our communities tomorrow. There is no doubt that some of today's local kids will be the Fatum employees of the future, and even lead Fatum in the decades that lie ahead of us!

Regarding the wellbeing of Fatum's employees: throughout the decades, Fatum has introduced initiatives to promote health, safety and security for our staff, such as weight control plans and awareness sessions on how to live a healthy life. While we continue to work on the sustainability of our staff, we also keep addressing the further establishment of a culture that promotes and supports high performance and a multi skilled workforce, and which is defined by behavior based on our values of integrity, transparency, team work and not in the last place, customer centeredness.

"People need trees.  
Trees draw people out  
from behind walls of brick  
and glass, and in coming  
together, neighbors forge  
relationships, nurture  
children, and build a  
sense of community."

(Tina Prow)

### Sustainable Staffing... Concluding Remarks

For the future, we will continue to ensure that our people have optimal opportunities to proceed with their contribution to the growth of the business and at the same time achieve personal fulfillment and development. The encouragement of continuous training remains a vital tool in this respect. Meeting or exceeding performance targets will remain the driving force behind the high performance culture, monitored through periodic performance appraisals. We will establish ways to safeguard that we have sufficient talent as well as access to talent on the labor market to continue driving our success. Succession planning as related to staff with vast knowledge of the industry will also continue to have the Management's attention. In addition, we will keep encouraging our people to be responsible members of the community through, among other things, voluntary community activities.

## Sustainable Community... how we contribute to the development of our societies

### The meaning of Sustainable Community

One of the basic assumptions underlying the definition of sustainable development is that community considerations have to be



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entrenched in economic decision-making. Sustainable communities are communities planned, built, or modified to promote sustainable living. They tend to focus on environmental sustainability and economic sustainability. As members of our communities, we are very well aware of the fact that community and the economy are closely interconnected. It definitely makes sense to pay attention to the community impact of our economic practices, while at the same time trying to ensure that our communities are healthy and pleasant places to live.

#### **Sustainable Community... viewed from the Fatum perspective**

Fatum is committed to continuing our long history of supporting a wide range of community programs, partners and activities. Our relationship with the community is the source of the trust on which our business is built. In gaining and maintaining that trust, we believe that we must act in a manner that is responsible towards the society and the environment in which we operate. Corporate social responsibility will remain a core value and a pillar of the way we do business at Fatum. We are continuously engaging constructively with customers, governments, and other stakeholders in our communities. Investing in those communities through donations and sponsorships is a great way to contribute to their sustainability. Throughout the years, Fatum has always cooperated in many different ways, and we are pleased to notice the clear results of the many contributions that we have made. We take great pride in mentioning one of them: our yearly Christmas lunch offered to a group of approximately 500 school children.

Regarding our role in providing insurance to the community, we believe that insurance delivers an indispensable service to protect the wellbeing of a community. Some of our products are obviously required by law, such as third party motor insurance. Our origins lie and will continue to lie, in meeting a societal need that individuals and groups - for various reasons - may choose not to address on their own. Insurance is based on the value to the community that it is more economic and fulfilling to pool effort, resources and interdependencies to lead a life that is from a financial perspective less risky than it would be otherwise.

The community generally reduces those risks by insuring against accidents or natural phenomena, such as fires or storms and other perils. Some of these events might lead to general economic consequences for the society on a larger scale, such as loss of infrastructure. We have always considered it one of our main objectives to calculate risk adequately to minimize the financial impact of an insured event. Offering adequate cover against affordable prices is what we stand for. It is our firm belief that a sound balance between price and quality in the end will be primarily in the benefit of the consumer.

#### **Sustainable Community... Concluding remarks**

Fatum will continue to offer its broad array of services to the com-

munities in which it operates, and will remain competitive while emphasizing the importance of adequate coverage.

Based on our corporate social responsibility, contributing to our communities through donations and sponsorships will remain a way of adding value to our presence. We provide sponsorship to different groups, with a clear priority for children and young people, education, underprivileged citizens, and also for nature-related activities. We take pride in being a good corporate citizen.

## Sustainable Markets... the way in which we value our customers

#### **The meaning of Sustainable Markets**

Balancing business opportunity with societal impact is a must for business success in the new century. Ideally, a market should be capable of operating continuously while meeting today's (global) economic, environmental, and social needs without compromising the opportunity for future generations to use the market to meet their own needs. In practice, a sustainable market is a market that is moving toward that ideal.

Insurance is essential for a viable economy since it assumes risks that could potentially result in financial constraints for an individual or enterprise. Sustainability reduces risks. And if risks are understood and managed well, that opens the door to new opportunities. A sustainable market is an impetus for greater financial stability and growth. Because of their extensive reach into the community, insurers have tremendous scope to encourage sustainable behavior.

#### **Sustainable Markets... viewed from the Fatum perspective**

Fatum's objective is to remain a market leader in the insurance industry in the Dutch Caribbean and to keep a beach head position in niche markets, which means we have a continued responsibility to lead well with our products, our services, and through our actions. We need to be there for our customers when they need us most - at claim time - and pay claims consistent with our policies. We run our business professionally, ethically and efficiently to ensure we remain financially strong and secure. We do this so we can keep paying claims while remaining able to offer broad community access to affordable and useful products and services that help people to manage their risks, and also by actively contributing to reducing risks in society. We seek to deliver continuous improvements in our operational efficiency and service standards and to invest our customers' funds securely and effectively.

Fatum is constantly coming up with new ideas too, by continuously researching and developing new product opportunities. From the perspective of environmental hazards, customers of

Fatum have the opportunity to insure themselves against accidental environmental damage to soil and water. For example, fire, household and homeowner insurance policies include 'environmental packages' that cover the damage in case of a loss event. In addition, life insurance and health insurance do not only have a commercial role, but also a clear social role in our community.

Regarding the wellbeing of our community, throughout the decades Fatum has introduced initiatives to promote health and offered services and support to our customers and members of the wider community to reduce risks in their lives, such as the wide distribution of blood sugar measures for high risk groups. Our sustained contribution to the prevention of (the impact of) health threatening issues in our community such as obesity remains one of our main objectives in this respect for the coming years.

#### **Sustainable Markets... Concluding remarks**

For the future, we will continue to focus on the Dutch Caribbean as our primary markets, while at the same time exploring opportunities in other markets within and outside of the Caribbean. Besides the obvious need for market amplification, the need for further channel diversification will also be explored. Brokers are traditionally the main channel for offering our products, however, in view of the changing demands of customers and the effects of globalization we realize that opportunities for us as well as for brokers lie in exploring additional distribution channels and in further optimizing the broker contact with our customer and us. Technologically innovative tools and cost effective procedures will prove to be indispensable in this respect. Recently, we have made strategic investments in both business operations and technology to position ourselves for sustained market leadership. We will continue to pursue opportunities for further efficiency improvement and enhanced customer satisfaction.

## Sustainable Environment... the way in which we contribute to managing risk

#### **The meaning of Sustainable Environment**

The effect of an insurance company on the environment seems relatively small compared to that of an industrial company. Still, there are obvious sustainability challenges for the insurance indus-



"We do make a difference -- one way or the other. We are responsible for the impact of our lives. Whatever we do with whatever we have, we leave behind us a legacy for those who follow."  
*(Stephen Covey)*

try which include climate change issues, pollution, natural disasters, wealth and poverty constraints, the aging infrastructure and illnesses, including those that may not yet be well known. Natural catastrophes, for example, in the form of hurricanes, windstorms, flooding, drought and other weather-related events may be increasing in both frequency and severity due to natural events such as climate change. In addition, there is a developing recognition of the critical role played by certain economic sectors (e.g., energy, aviation, chemical) in the current and prospective health of the environment.

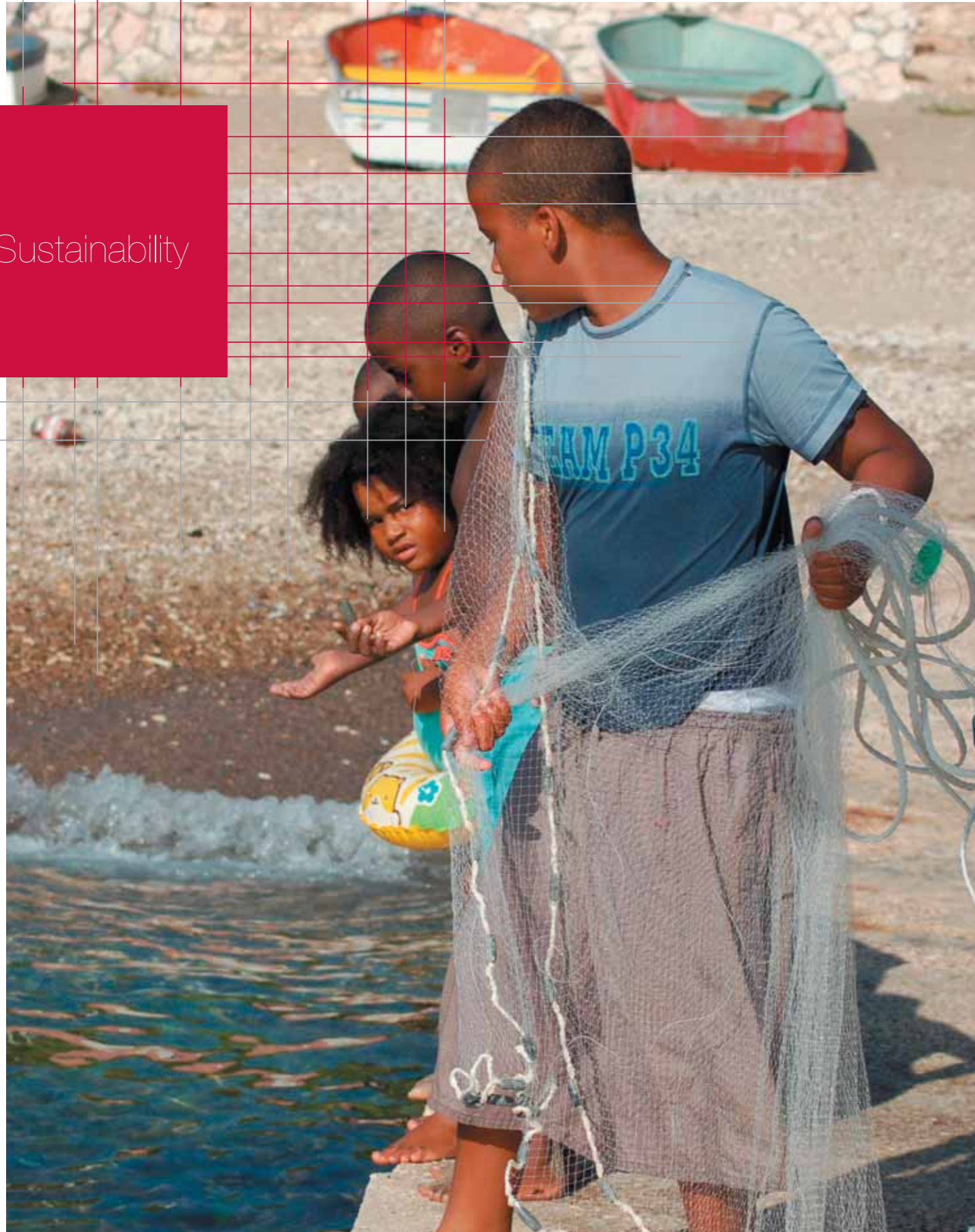
#### **Sustainable Environment... viewed from the Fatum perspective**

Fatum firmly believes that the wellbeing of our society depends on a healthy environment, which is the cornerstone of a strong global economy.

For us, environmental responsibility means economical use of natural resources, risk management and taking the environment into account in our daily operations and decision-making. The industry in which we operate is not among the significant polluters of the environment. We do however assist our customer companies in promoting their environmental objectives and preventing damage. Besides the obvious need to deal with natural resources in a conscious way, there is another way in which our industry is being affected by the environment.

An increase in the frequency and severity of environmental catastrophic events might result in increased chances for higher insurance losses. Our challenge remains to continue to educate and protect our customers, dedicate resources to understanding climate change and other environmental issues and manage costs to keep insurance affordable while pursuing sustainable customers.

Climate change has become an important and serious issue for the global property and casualty insurance industry, because it is our business to provide security against many of the risks posed by such change. As companies respond and adapt to their changing responsibilities and opportunities, the exposure to casualty coverage such as general liability and directors' and officers' liability may be expected to increase. These increases in exposure may ulti-



mately drive insurance costs up. We recognize that climate change may affect everyone – our customers, employees and shareholders. There is growing evidence of an increasing trend in extreme weather events such as floods, drought, heat waves and, possibly, hurricane intensity. It is obvious that climate change may contribute to the trend. In addition, global surface temperatures have risen over the last century at an increasing rate, and the five warmest years since 1850 have all occurred in the last decade. We have also observed a clear increase in severe hurricane activity in the Atlantic and Caribbean basins in the 1990s. Changes in sea temperature and atmospheric environment may potentially have a consequence on the severity of future hurricanes resulting in large economic losses.

In 1999 Fatum introduced a comprehensive recycling program that has resulted in the successful use of recycled water, and the collection of paper to be recycled. In addition, programs for the conscientious use of energy sources have shown positive effects. Additional programs are being defined to extend the scope of these activities to the collection of plastics and other materials as well.

#### **Sustainable Environment... concluding remarks**

Other future endeavors will remain focused on insurance products, services and incentives that promote sound environmental practice through measures such as loss prevention.

Throughout the past 105 years, Fatum has consistently explored ways to deal effectively with new challenges, taking into account the risks and opportunities that they present. Fatum has been consistently focusing on sustainable development by adopting environmentally sound business principles and making environmentally conscious decisions about our business operations, which has ultimately contributed to our profitability. This attitude is based on our commitment to procuring products and services in ways that are socially responsible, meet the community's expectations of us as a good corporate citizen and reflect our values.

In addition, we will continue to explore effective ways for reducing waste, re-using resources and recycling materials. Especially with regard to the 'paper world' inherent to the insurance industry, we see many opportunities.

In conclusion, we would like to reaffirm our position that embedding environmental, social and governance principles in core processes, products and services is essential for enhancing long-term company value. Addressing our social and environmental performance as well as our economic performance is simply good business... the way we like to do business!

## Sustainable Financials...

The way in which we preserve our financial assets and investments

#### **The meaning of Sustainable Financials**

Sustainable financials can be defined as being able to weather any occurrence with significant financial impact, hence ensuring the company's sustainable financial position and securing the fulfillment of payment obligations to its customers.

Throughout the course of 2008, financial markets around the world have experienced substantial volatility, which heavily affected the world's economies. Following this global financial crisis, insurance companies are currently facing many market and regulatory challenges. There is an obvious need to establish and affirm sound investment opportunities and to increase the level of diversification to be able to effectively deal with future challenges as well.

#### **Sustainable Financials... viewed from the Fatum perspective**

Fatum is pleased to be a major contributor to the economy through our substantial investments. Managing our investments in funds on behalf of our policyholders and shareholders is a responsibility we take very seriously. Fatum is committed to investing in funds in a manner guaranteeing the highest safety and return. We align our investment philosophy with our broader sustainability framework, and for some of our investments, this means targeting opportunities to support environmental and social issues, while fully complying with the regulatory investment guidelines.

While no financial institution can completely escape the global financial crisis that shocked the world in the end of 2008, Fatum and the GHL Group as a whole proved to be well positioned to handle the fluctuations and uncertainties of the market. This stability is based on a prudent and disciplined investment philosophy and is evident in the underlying quality of our investments. Fatum is determined to proceed in the same prudent way and is striving to perform even better in the future, basing its decisions on asset liability studies. Also, while complying with the requirements for security and profitability, Fatum will seek to optimize the inclusion of environmental considerations in the portfolio of our assets. In this respect we are currently actively contemplating future

"The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired in value."

*(Theodore Roosevelt)*

investments in the so-called 'green funds'. From the perspective of reserve strengthening, we would like to state that our adequate and sustainable reinsurance programs have always been supported by leading reinsurers to ensure that the risks of our customers are protected and secured. As a matter of fact, reinsurance provides benefits such as capacity, stability, financing, and/or protection from catastrophes. The value of our reinsurance programs was clearly expressed during the time of catastrophes such as hurricane Luis (1995), hurricane Lenny (1999), hurricane Ivan (2004) and Hurricane Omar (2008). Under these circumstances Fatum managed to comply with its obligations towards customers in an exemplary way. We will continue to view reinsurance as the key driving force behind the availability and affordability of insurance coverage within our territories. Without reinsurance, risks from a whole spectrum of potential threats, natural and otherwise, could be unacceptably large, inevitably resulting in high premium levels. Reinsurance offers a perfect tool for balancing the premium levels with our risk capacity.

#### Sustainable Financials... Concluding remarks

Our focus will remain on continuously having the necessary sustainable financial resources in place. We acknowledge that our primary responsibility is to be there in the event of an insured event and to pay claims. In doing so, Fatum is committed to price risk fairly and appropriately. If we under-price risk, the available funds will not match claims and we will not be able to remain viable. If we over-price risk, people might in the end choose not to insure at all, which may put them and the community at risk.

In addition, Fatum will continue to apply prudent investment principles to ensure continued solid and trustworthy returns on invested funds, to the benefit of our customers.

We are well aware of the fact that unforeseen circumstances such as changes in economic conditions, changes in the regulatory environment, developments regarding reinsurance availability and its pricing, fluctuations in interest and exchange rates may continue to threaten the financial performance of our company. However, from a sustainability perspective, we will continue to face these challenges in a constructive way and deal with them adequately, ultimately for the benefit of our stakeholders!

## Concluding remarks: Moving Forward into a Sustainable Future

For Fatum, sustainability is a powerful and defining idea: as a sustainable corporation we are geared towards creating profit for our shareholders while protecting the environment and improving the lives of those with whom we interact. The expectations are challenging: to provide continuously improving goods and services in a way that is profitable, ethical and respects the environment, individuals and the communities in which we operate, pursuing the Triple Bottom Line by making sustainability everybody's job within Fatum.

*We believe that returns to our shareholders, and the company's own stability and growth potential, will be enhanced by conducting the business in a way that creates sustainable stakeholder value on numerous fronts. We are proud to be able to stand behind the steering wheel of this 105 years 'young' company that has access to capital, as well as to the support of its clients and of the community at large. As a sustainable business, we stand an excellent chance of being even more successful tomorrow than we are today, and remaining successful, not just for months or even years, but for generations.*

"The best investment  
on earth is earth."

*(Louis Glickman)*



Sustainability



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