CONVERIUM HOLDING AG
Form 6-K
February 19, 2004

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Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the period ending December 31, 2003

CONVERIUM HOLDING AG

(Translation of registrant s name into English)
Baarerstrasse 8
CH-6300 Zug
Switzerland

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F X Form 40-F ____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ____ No X

If Yes is marked, indicate the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- Not Applicable

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONVERIUM HOLDING AG

By: /s/ Dirk Lohmann
Name: Dirk Lohmann
Title: Chief Executive Officer, Converium Holding AG

By: /s/ Martin A. Kauer
Name: Martin A. Kauer
Title: Chief Financial Officer, Converium Holding AG

Date: February 17, 2004

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The Converium share

Industry overview

Insurance and reinsurance shares were very much in favour during late 2001 and early 2002 following the events of September 11, 2001. Despite partly significant improvements in reinsurance terms and conditions, the industry failed to meet investors expectations due to a number of reasons:

- The anticipated visibility of benefits from the hard market did not materialize due to drains from reserve deficiencies and the investment side
- Stretched balance sheets limited several players in benefiting from favourable market conditions
- Low investment income and simultaneous fears over a rapid raise in yield curves
- Ongoing weakness of the US Dollar
- Solvency issues and following downgrading from rating agencies and resulting primary insurers awareness of counterparty risks
- Exits, retrenchment from certain businesses and ratings downgrades reshaped the league table

[Performance versus benchmarks in 2003 Charts]

[Performance versus benchmarks in 2003 Charts]

Converium Ordinary Shares(*):	18.7%
Bloomberg European Insurance Index(*):	42.7%
Swiss Market Index(*):	13.3%
Converium ADSs(**):	11.2%
Bloomberg US Insurance Index(**):	1.7%
Dow Jones Industrial Index(**):	5.7%

(*) underlying figures in CHF
(**) underlying figures in US$

Converium Ordinary Shares(*):	1.8%
Bloomberg European Insurance Index(*):	18.9%
Swiss Market Index(*):	18.5%
Converium ADSs(**):	8.9%
Bloomberg US Insurance Index(**):	21.4%
Dow Jones Industrial Index(**):	25.3%

(*) underlying figures in CHF

(**) underlying figures in US$

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The Converium share and ADS

Converium s strong share price since the IPO underperformed in April 2003, after the release of the 1Q2003 figures. At that time management announced an increase in reserves for a closed book of Guaranteed Minimum Death Benefit (GMDB) policies written in the late 1990s and the need for a further detailed audit and analysis of the assumed blocks of business. Following this news, investors were cautious and until the release of Converium s 3Q2003 figures, the share price moved sideways. A recovery of the share price started after Converium dispelled uncertainties over the GMDB book with the 3Q2003 release.

Key share data for 2003

Shares registered as at December 31, 2003	40,006,217
Average shares registered in 2003	40,006,217
SWX Swiss Exchange	
Share price as at December 31,2003 in CHF	65.75
Year High in CHF	74.50
Year Low in CHF	49.60
Average price in 2003 in CHF	62.60
Average daily trading volume	181,102
Market capitalization as at December 31, 2003 in CHF	2,630,408,768
Earnings per share in CHF	3.46
Book value per share as at December 31, 2003 in CHF	65.21
New York Stock Exchange	
ADS Price as at December 31, 2003 in US$	26.34
Year High in US$	26.63
Year Low in US$	19.15

Major shareholders

In accordance with the notification requirements as set by the SWX Swiss Exchange the following significant share holdings were notified to Converium Holding AG as of December 31, 2003:

Fidelity International Limited (Fidelity), Hamilton, Bermuda: 9.87% (date of notification April 28, 2003).

Wellington Management Company LLP (Wellington), Boston, Massachusetts, United States: 7.68% (date of notification January 11, 2002).

Only one shareholder, a fund managed by Fidelity International Limited (European Growth SICAV Luxembourg: 6.01%), is registered in Converium s share register with an individual shareholding exceeding the 5% threshold specified in article 663c of the *Swiss Code of Obligations*.

Fidelity is an investment advisor, which provides investment advisory and management services to non-US investment companies, trusts and institutions. Wellington is an investment advisor and portfolio manager with voting authority for 47 clients, none of which has an individual shareholding in excess of 5%. Converium does not hold any interlocking shareholdings with any other joint-stock companies.

Top-tier institutional investors supported Converium s IPO or invested in the company shortly afterwards, signaling the quality of the Converium share. The investment policy of such investors is to make large purchases of the companies which they choose to support. The absolute CHF or US$ value of these investments may be large relative to Converium s market capitalization, and therefore the notification thresholds required by the SWX Swiss Exchange are triggered more often than is the case when investments of the same size are made in companies with a larger market capitalization. As a result, a number of announcements were made in 2002 and 2003 about share acquisitions, most relating to two shareholders that oscillated around the notification thresholds. Despite the high visibility of major shareholders, at no point was voting authority concentrated to more than the 6.01% for a single shareholder (European Growth SICAV Luxembourg). Details about changes in major shareholders throughout 2003 are presented in the notes to the financial statements of Converium Holding AG.

Financial calendar

April 29, 2004	1Q2004, media conference and financial analysts meeting in Zurich
April 30, 2004	1Q2004, financial analysts meeting in London
July 27, 2004	2Q2004, media conference and financial analysts meeting in Zurich
October 26, 2004	3Q2004, media conference and financial analysts meeting in Zurich
October 27, 2004	3Q2004, financial analysts meeting in London
February 15, 2005	Full-year 2004, media conference and financial analysts meeting in Zurich
February 16, 2005	Full-year 2004, financial analysts meeting in London

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Selected financial and other data

We have prepared our financial statements included in this annual report in accordance with accounting principles generally accepted in the United States of America, or US GAAP. The following selected financial data highlights selected information that is derived from our financial statements found later in this annual report, which have been audited by PricewaterhouseCoopers Ltd, independent auditors.

Income statement data

(US$ million, except per share information)

Year ended December 31	2003	2002	2001	2000	1999
Revenues					
Gross premiums written	4,223.9	3,535.8	2,881.2	2,565.8	1,928.7
Less ceded premiums written	-396.9	-213.6	-398.6	-569.8	-358.5
Net premiums written	3,827.0	3,322.2	2,482.6	1,996.0	1,570.2
Net change in unearned premiums	-150.5	-156.7	-187.4	-134.5	-168.7
Net premiums earned	3,676.5	3,165.5	2,295.2	1,861.5	1,401.5
Net investment income	233.0	251.8	228.7	176.0	214.0
Net realized capital gains (losses)	18.4	-10.3	-18.4	83.7	76.3
Other income (loss)	2.7	-1.2	-5.8	29.3	22.1
Total revenues	3,930.6	3,405.8	2,499.7	2,150.5	1,713.9
Benefits, losses and expenses					
Losses, loss adjustment expenses and life benefits	-2,674.2	-2,492.0	-2,300.5	-1,604.5	-1,138.7
Total costs and expenses	-1,032.0	-856.4	-678.7	-587.5	-470.6
Amortization of goodwill			-7.8	-7.3	-6.2
Restructuring costs			-50.0		
Total benefits, losses and expenses	-3,706.2	-3,348.4	-3,037.0	-2,199.3	-1,615.5
Income (loss) before taxes	224.4	57.4	-537.3	-48.8	98.4
Income tax (expense) benefit	-39.3	49.4	169.9	19.5	-40.6
Net income (loss)	185.1	106.8	-367.4	-29.3	57.8
Earnings (loss) per share					
Average number of shares (millions) (1))	39.8	39.9	40.0	40.0	40.0
Basic earnings (loss) per share	4.65	2.68	-9.18	-0.73	1.45
Diluted earnings (loss) per share	4.59	2.64	-9.18	-0.73	1.45

Balance sheet data

(US$ million, except per share information)

Year ended December 31	2003	2002	2001	2000	1999
Total invested assets	7,528.7	6,117.3	4,915.9	4,349.7	4,232.8
Total assets	14,354.6	12,051.0	9,706.5	8,321.3	6,916.0
Insurance liabilities	11,410.8	9,454.8	7,677.9	6,486.6	5,048.9
Debt	390.6	390.4	197.0	196.9	196.8
Total liabilities	12,271.3	10,313.0	8,135.7	7,232.9	5,694.6
Total equity	2,083.3	1,738.0	1,570.8	1,088.4	1,221.4

Book value per share					
Book value per share (1))	52.38	43.55	39.27	27.21	30.54
Other data					
(US$ million)					
Year ended December 31	2003	2002	2001	2000	1999
Net premiums written by segment:					
Standard Property & Casualty Reinsurance	1,645.6	1,452.2	1,280.0	993.4	673.6
Specialty Lines	1,811.9	1,555.3	968.4	818.2	757.5
Life & Health Reinsurance	369.5	314.7	234.2	184.4	139.1
Total net premiums written	3,827.0	3,322.2	2,482.6	1,996.0	1,570.2
Non-life combined ratio	97.9%	103.7%	129.3%(2))	116.5%	112.5%

(1) The 40,000,000 registered shares sold in the global offering in December 2001 are considered outstanding for all periods prior to December 11, 2001.

(2) The impact on the non-life combined ratio of the September 11th terrorist attacks was 13.3%.

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Management s discussion and analysis of financial condition and results of operations

The following discussion and analysis should be read in conjunction with our financial statements, including the related notes to those financial statements. This discussion contains forward-looking statements that involve risks and uncertainties and actual results may differ materially from the results described or implied by these forward-looking statements. See Cautionary note regarding forward-looking statements .

Overview

Converium Holding AG and subsidiaries (Converium) is a leading global professional reinsurer, which offers a full range of traditional non-life and life reinsurance products as well as innovative non-traditional solutions to help clients manage capital and risk. Our principal lines of non-life reinsurance include general third party liability, motor, personal accident, property, agribusiness, aviation and space, credit and surety, engineering, marine and energy, professional liability and other special liability and workers compensation. The principal life reinsurance products are ordinary life and disability reinsurance, including quota share, surplus coverage and financing contracts, and accident and health.

Converium was formed through the restructuring and integration of substantially all of the third-party assumed reinsurance business of Zurich Financial Services through a series of transactions (Transactions). On December 1, 2001, Converium entered into a Master Agreement with Zurich Financial Services (the Master Agreement), which set forth the terms of the separation from Zurich Financial Services. In December 2001, Zurich Financial Services sold 87.5% of its interest in Converium through an initial public offering (IPO), which date represented the legal separation from Zurich Financial Services. Zurich Financial Services remaining 12.5% interest in Converium was sold in January 2002.

Based on calendar year 2002 third-party net premiums written, Converium ranks among the ten largest global reinsurers. Converium is rated A (Strong), stable outlook, by Standard & Poor s Corporation and A (Excellent), stable outlook, by A.M. Best Company, Inc.

Results of operations

(US$ million)

Year ended December 31	2003	2002	2001
Pre-tax income (loss)	224.4	57.4	-537.3
Net realized capital gains (losses)	18.4	-10.3	-18.4
Amortization of goodwill and restructuring costs			-57.8
Pre-tax operating income (loss)	206.0	67.7	-461.1
Net income (loss)	185.1	106.8	-367.4

We reported net income of US$ 185.1 million for the year ended December 31, 2003, an improvement of US$ 78.3 million as compared to net income of US$ 106.8 million for 2002. The increase is due to continued improvements in the non-life underwriting results, as well as pre-tax net realized capital gains in 2003 versus pre-tax net realized capital losses in 2002. Developments on our Guaranteed Minimum Death Benefit (GMDB) book were offset by an overall improved non-life combined ratio.

We reported pre-tax operating income (defined as pre-tax income or loss excluding pre-tax net realized capital gains or losses, amortization of goodwill and restructuring costs) of US$ 206.0 million for the year ended December 31,

2003, an improvement of US$ 138.3 million as compared to pre-tax operating income of US$ 67.7 million for 2002. The improvement in pre-tax operating income was due to significant premium growth and an overall improved non-life combined ratio.

For the year ended December 31, 2003, gross premiums written increased 19.5%, net premiums written increased 15.2% and net premiums earned increased 16.1%. The growth was spread across most lines of business and resulted from increased rates and increasing the share of clients business upon renewing existing business or writing new business.

In 2003, we recorded US$ 31.3 million of net positive development on prior years loss reserves. In 2002, our results were impacted by losses from the European floods of US$ 51.1 million (net of reinstatement premiums of US$ 3.1 million) and the recognition of a US$ 148.5 million provision for net adverse development on prior years reserves. Our non-life combined ratio was 97.9% for the year ended December 31, 2003 as compared to 103.7% in the same period of 2002.

We recorded pre-tax net realized capital gains of US$ 18.4 million for the year ended December 31, 2003 as compared to pre-tax net realized capital losses of US$ 10.3 million for the same period of 2002. The pre-tax net realized capital gains in 2003 included US$ 27.4 million of impairment charges on our equity portfolio as compared to US$ 48.3 million of impairment charges in 2002.

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Management s discussion and analysis
of financial condition and results of operations (continued)

We reported pre-tax operating income of US$ 67.7 million for the year ended December 31, 2002, a change of US$ 528.8 million as compared to the pre-tax operating loss of US$ 461.1 million in 2001. The 2001 results were impacted by pre-tax losses of US$ 289.2 million related to the September 11th terrorist attacks, net adverse development on prior years loss reserves of US$ 123.6 million, US$ 67.0 million in losses related to the Enron Chapter 11 reorganization and US$ 28.5 million in ceded premiums for September 11th terrorists attacks and other coverages from Zurich Financial Services.

Our effective tax rate was 17.5% for the year ended December 31, 2003, compared to a benefit of 86.1% and 31.6% for 2002 and 2001, respectively. The 2002 consolidated tax benefit reflects a one-time benefit of US$ 21.3 million as the result of a ruling received from the Swiss tax authorities regarding a tax loss carryforward. The 2001 consolidated tax benefit results from pre-tax losses.

The components of net income (loss) are described below.

Reinsurance results
(US$ million)

Year ended December 31	2003	2002	2001
Gross premiums written	4,223.9	3,535.8	2,881.2
Net premiums written	3,827.0	3,322.2	2,482.6
Net premiums earned	3,676.5	3,165.5	2,295.2

Gross premiums written for the year ended December 31, 2003 increased US$ 688.1 million, or 19.5% compared to the same period of 2002. Net premiums written for 2003 increased US$ 504.8 million, or 15.2% compared to 2002. For the year ended December 31, 2003, we retained 90.6% of our gross premiums written, compared to 94.0% in 2002. Our net retention ratio decreased principally due to the purchase of increased retrocessions to reduce peak exposures associated with our increased participation in the Global Aerospace Underwriting Managers Limited (GAUM) pool.

The increases in non-life net premiums written predominately reflect the continued improved market conditions, new client relationships in certain key markets and the expansion of shares of business with existing clients. During 2003, we took advantage of growth opportunities in the Standard Property & Casualty Reinsurance segment, where net premiums written grew by US$ 193.4 million, or 13.3% for the year. This was due to increased penetration in all lines of business, but predominantly within property and motor. At December 31, 2003, the Specialty Lines segment grew by US$ 256.6 million or 16.5%, driven by strong growth in agribusiness, workers compensation, credit and surety, and professional liability and other special liability lines. The Life & Health Reinsurance segment grew by US$ 54.8 million or 17.4%, driven by growth in accident and health business in North America and in Continental Europe.

Net premiums earned for the year ended December 31, 2003 increased US$ 511.0 million, or 16.1% compared to 2002. Net premiums earned increased at a higher rate than net premiums written due to the seasonality of certain business within our portfolio.

The increase in net premiums written in 2002 over 2001 of US$ 839.6 million, or 33.8% reflects the hardening market conditions that emerged during 2002. Net premiums earned increased US$ 870.3 million, or 37.9% for the year ended December 31, 2002 as compared to the same period in 2001.

(US$ million)

Year ended December 31	2003	2002	2001
Losses, loss adjustment expenses and life benefits	-2,674.2	-2,492.0	-2,300.5
Impact of September 11th terrorist attacks			-289.2
Non-life loss ratio (to premiums earned)	71.5%	78.2%	99.9%
Non-life loss ratio excluding September 11th terrorist attacks	71.5%	78.2%	86.6%

Our losses, loss adjustment expenses and life benefits incurred increased US$ 182.2 million, or 7.3% in 2003 versus an increase of US$ 191.5 million or 8.3% in 2002. The non-life loss and loss adjustment expense ratio was 71.5% in 2003, compared to 78.2% in 2002 and 99.9% in 2001. Our reported losses, loss adjustment expenses and life benefits have been impacted by the following loss events: net reserve development, GMDB business, September 11th terrorist attacks and the Enron Chapter 11 reorganization.

Management s discussion and analysis
of financial condition and results of operations (continued)

Net reserve development: In 2003, there was US$ 31.3 million net positive development on prior years loss reserves, consisting of positive development of US$ 49.4 million in the Standard Property & Casualty Reinsurance segment, offset by US$ 18.1 million of adverse development in the Specialty Lines segment. Risk diversification is a basic risk management tool in the insurance and reinsurance industry; as a multi-line reinsurer there are always likely to be reserve adjustments at the line of business level. Our book of business is broadly diversified by line of business as well as balanced by region and by the expected duration of its claims obligations.

In 2002, Converium strengthened reserves for prior years by US$ 148.5 million. Throughout the year, increased loss experience related to prior years continued to emerge, which resulted in an in-depth actuarial reserve analysis of certain lines of business. This resulted in an additional US$ 148.5 million provision for losses, primarily related to underwriting years 1997 through 2000. In the Standard Property & Casualty Reinsurance segment, there were additional provisions of US$ 62.2 million for the liability, motor and property lines. In the Specialty Lines segment, there were additional provisions of US$ 86.3 million, primarily related to the commercial umbrella and medical errors and omissions liability lines of business.

In 2001, Converium strengthened reserves for prior years by US$ 123.6 million. Converium retained an actuarial consulting firm to perform an independent review of non-life net reserves as of December 31, 2000. This review reflected certain information that became available after the issuance of the December 31, 2000 financial statements, including most fourth quarter 2000 and some first quarter 2001 reports from ceding companies, who typically report on a one-quarter lag. Based on the independent review and Converium s own evaluations of these new developments, additional provisions of US$ 123.6 million, net of reinsurance, were recorded in 2001, principally related to accident years 2000 and prior at Converium Reinsurance (North America) Inc. In the Standard Property & Casualty Reinsurance segment, there were additional net provisions of US$ 46.6 million, primarily for the motor and property lines of business. In the Specialty Lines segment, there were additional net provisions of US$ 77.0 million, primarily related to the excess and surplus, commercial umbrella and marine and energy lines of business, offset by positive development in aviation and space.

Guaranteed Minimum Death Benefit (GMDB) Business: In addition to the non-life reserve development described above, the Life & Health Reinsurance segment strengthened reserves on a closed block of variable annuity business by US$ 20.5 million (to net US$ 56.0 million), US$ 15.6 million and US$ 13.4 million in 2003, 2002 and 2001, respectively. As a result of the strong performance of the US stock markets, the GMDB s net amount at risk further decreased to US$ 809.7 million and US$ 1,243.0 million at December 31, 2003 and 2002, respectively. Although Converium feels that its currently carried reserves for its GMDB exposure are adequate, it has exercised the call option it negotiated in the third quarter of 2003, to access additional reinsurance protection of up to US$ 75.0 million. This decision was made in light of the current volatility and the valuation of the equity markets in the United States. The annual expense associated with this protection is expected to be less than US$ 0.5 million per year. Based on information available today, this additional reinsurance protection adequately addresses potential adverse deviations to the key assumptions i.e., mortality risks, lapse rate risks, surrenders, and investment risks, such as equity market performance and volatility, incorporated in Converium s models.

Impact of aviation and space business: Our aviation and space business contributes substantially to the profitability of the Specialty Lines segment. Related to this business, we had net premiums written of US$ 341.8 million, US$ 365.3 million, and US$ 182.8 million and a net non-life technical result (defined as net premiums earned minus losses and loss adjustment expenses and underwriting acquisition costs) of US$ 126.0 million, US$ 64.3 million, and US$ (167.9) million in 2003, 2002, and 2001, respectively. Included in the 2001 net technical result are net losses from the September 11th terrorist attacks of US$168.7 million. There were no large losses, defined as those in excess of US$

10.0 million or more of net incurred losses to us, in either 2003 or 2002.

Impact of property catastrophe business: A substantial portion of our property catastrophe business is written on an excess of loss basis. Related to this business, we had gross premiums written of US$ 194.7 million,US$172.9 million, and US$ 148.1 million and a net non-life technical result (defined as net premiums earned minus losses and loss adjustment expenses and underwriting acquisition costs) of US$ 74.4 million, US$ 60.4 million, and US$ 29.8 million in 2003, 2002, and 2001, respectively. Included in the net technical results are the following large natural catastrophe losses, defined as those in excess of US$ 10.0 million or more of net incurred losses to us: Typhoon Maemi (US$15.4 million) and the Algerian Earthquake (US$ 10.6 million) in 2003, the European floods in 2002 (US$ 51.1 million) and the El Salvador earthquake in 2001 (US$14.2 million).

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Management s discussion and analysis
of financial condition and results of operations (continued)

September 11th terrorist attacks: The September 11th terrorist attacks in the United States represented the largest loss event in the insurance industry s history. In 2001, we recorded gross losses and loss adjustment expenses of US$ 692.9 million arising out of the terrorist attacks. Net of retrocessional recoveries and the cap from Zurich Financial Services, our recorded losses and loss adjustment expenses were US$ 289.2 million, coming primarily from our aviation and property lines of business. The remainder of the losses were from our workers compensation, life and third-party liability lines of business. Zurich Financial Services, through its subsidiaries, agreed to arrangements that cap our net exposure for losses and loss adjustment expenses arising out of the September 11th terrorist attacks at US$ 289.2 million. As part of these arrangements, these subsidiaries of Zurich Financial Services have agreed to take responsibility for non-payment by the retrocessionaires of Converium AG and Converium Rückversicherung (Deutschland) AG with regard to losses arising out of the September 11th terrorist attacks in excess of the US$ 289.2 million cap. While the cap does not cover non-payment by the retrocessionaires of Converium Reinsurance (North America) Inc., our only retrocessionaire for this business is a unit of Zurich Financial Services. This business is fully collateralized in the form of letters of credit. Therefore, we are not exposed to potential non-payments by retrocessionaires for these events in excess of the US$ 289.2 million cap, although we will be exposed to the risk of non-payment of Zurich Financial Services units and we are exposed to credit risk from these subsidiaries of Zurich Financial Services.

During 2003 and 2002, there was no additional development in net reserves for the September 11th terrorist attacks (as losses are capped at US$ 289.2 million by Zurich Financial Services).

Enron Chapter 11 reorganization: In December 2001, Enron Corp. announced that it and certain of its subsidiaries had filed voluntary petitions for Chapter 11 reorganization in the United States. Converium recorded incurred losses of US$ 67.0 million pre-tax (US$ 48.0 million after-tax) for the year ended December 31, 2001, representing Converium s aggregate limits under existing reinsurance contracts in connection with Enron. These exposures result principally from credit and surety and, to a lesser extent, liability lines of business. The losses Converium may ultimately incur, and the timing of any loss payment, will be affected by numerous factors including the actions of third parties, possible judicial rulings and other contingencies. In 2003 and 2002, the ultimate losses related to Enron declined US$17.2 million and US$ 5.2 million, respectively.

Asbestos and environmental exposures: As of December 31, 2003 and 2002, we had reserves for environmental impairment liability and asbestos-related claims of US$ 45.8 million and US$ 44.6 million, respectively. Our survival ratio (calculated as the ratio of reserves held, including IBNR, over claims paid over the average of the last three years) for asbestos and environmental reserves was 13.6 years at December 31, 2003, compared to 13.5 years at December 31, 2002.

(US$ million)

Year ended December 31	2003	2002	2001
Underwriting acquisition costs	-803.2	-666.7	-508.1
Operating and administration expenses	-197.8	-173.3	-146.4
Non-life underwriting expense ratio (to premiums earned)	22.0%	21.1%	23.4%
Non-life administration expense ratio (to premiums written)	4.4%	4.4%	6.0%

Underwriting acquisition costs primarily relate to commissions on treaty and individual risk business. Our underwriting acquisition costs increased US$ 136.5 million or 20.5% in 2003 versus an increase of US$ 158.6 million

or 31.2% in 2002. This increase is mainly related to the increase in net premiums earned. The non-life underwriting expense ratio for the years ended December 31, 2003, 2002, and 2001 was 22.0%, 21.1%, and 23.4%, respectively.

Operating and administration expenses increased 14.1% in 2003 and 18.4% in 2002. These increases primarily arose from expenditures to support the growth in operations. Operating and administration expenses were also impacted in 2003 and 2002 by the decrease of the US dollar against the hardening European currencies. Despite the increase in operating and administration expenses, the non-life administration expense ratio was 4.4% in 2003, compared to 4.4% in 2002 and 6.0% in 2001. This was due to continued strong premium growth relative to the growth in expenses.

We fully charge the cost of options to operating expense under the fair value approach of SFAS No. 123, Accounting for Stock Based Compensation , and recorded compensation expense of US$ 6.1 million, US$ 5.8 million and US$ 3.5 million in 2003, 2002, and 2001, respectively, in connection with our stock option plans.

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Management s discussion and analysis
of financial condition and results of operations (continued)

Investment results
(US$ million)

Year ended December 31	2003	2002	2001
Net investment income	233.0	251.8	228.7
Average net investment income yield (pre-tax)	3.3%	4.3%	4.7%
Net realized capital gains (losses)	18.4	-10.3	-18.4
Total investment results	251.4	241.5	210.3
Average total investment income yield (pre-tax)	3.5%	4.1%	4.3%
Change in net unrealized gains (losses) (pre-tax)	154.2	-109.0	14.4
Total investment return (pre-tax)	405.6	132.5	224.7
Average total investment return (pre-tax)	5.7%	2.2%	4.6%

Investment results are an important part of our overall profitability. Our net investment income was US$ 233.0 million for the year ended December 31, 2003, representing a decrease of US$ 18.8 million, or 7.5% as compared to the same period of 2002. The decrease reflects lower investment income yields offset by an increase in invested assets from operating cash flows. Our net investment income increased US$ 23.1 million, or 10.1% for 2002 as compared to 2001. The increase is primarily from an increase in invested assets due to our additional capitalization in late 2001 and the investment of cash flows from operating activities during 2002.

Our average total investment income yield was 3.5% for the year ended December 31, 2003, as compared to 4.1% and 4.3% for the same periods in 2002 and 2001, respectively. Yields are calculated based on the average of beginning and ending investment balances (including cash and cash equivalents). The decrease in yield in 2003 is due to sustained lower interest rates worldwide. In addition, we positioned our fixed income portfolios to a shorter duration in anticipation of a potential interest rate increase. We paid fees in the amount of US$ 8.0 million, US$ 6.1 million and US$ 4.7 million to our asset managers and custodians in 2003, 2002 and 2001, respectively, including other investment related costs.

Our average total investment return was 5.7% for the year ended December 31, 2003 as compared to 2.2% and 4.6% for 2002 and 2001, respectively. This resulted from a recovery in the global capital markets which positively impacted changes to the unrealized capital positions of both our fixed income and equity instruments. The average total investment return in 2002 and 2001 included the effect of foreign currency on the change in net unrealized capital gains and losses of US$ (50.3) million and US$ (1.2) million, respectively. While the effect was fairly insignificant for 2001, in 2002, this lowered the average total investment return by 0.8%. As of 2003, the currency effect on the change in net unrealized capital gains and losses is directly booked to cumulative currency translation adjustments, and therefore no longer affects the investment return. This approach is also consistent with our aim to match the currency of our assets with our liabilities, which implies that any currency impact on the assets is essentially offset by the impact on the corresponding liability.

We had net realized capital gains for the year ended December 31, 2003 of US$ 18.4 million, compared to net realized capital losses of US$ 10.3 million and US$ 18.4 million in 2002 and 2001, respectively. Included in the 2002 realized amounts were gains on the restructuring of the fixed maturities portfolio of US$ 62.9 million, offset by losses on the restructuring of the equity portfolio of US$ 48.2 million, and losses realized on the sale of WorldCom fixed income investments of US$15.8 million.

We recorded US$ 27.4 million, US$ 48.3 million and US$ 82.5 million of impairment charges during 2003, 2002 and 2001, respectively, primarily on our equity portfolio. To continue to adhere to emerging asset impairment standards, beginning in the second quarter of 2003, we revised our impairment policy to also record as realized capital losses any declines in value of equity securities over a period of more than twelve months. The same policy applies to fixed maturities securities when the decline in value is attributable to the deteriorating credit-worthiness of the issuer. This resulted in additional impairment charges of US$ 3.4 million in 2003.

Other
(US$ million)

Year ended December 31	2003	2002	2001
Other income (loss)	2.7	-1.2	-5.8
Interest expense	-31.0	-16.4	-24.2
Amortization of goodwill			-7.8
Restructuring costs			-50.0
Income tax (expense) benefit	-39.3	49.4	169.9

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Other income for the year ended December 31, 2003 was US$ 2.7 million as compared to other losses of US$ 1.2 million and US$ 5.8 million for the same periods of 2002 and 2001, respectively. Other income (loss) includes interest income on reinsurance deposits, interest expense on funds held under reinsurance contracts, fee income, write-off of uncollectible balances and results from private equity funds.

Interest expense for the year ended December 31, 2003 was US$ 31.0 million compared to US$ 16.4 million in 2002 and US$ 24.2 in 2001. Interest expense on our Senior Notes was US$ 14.2 million in each year. The increase in 2003 was mainly due to US$ 16.5 million in interest expense on our US$ 200.0 million 8.25% guaranteed subordinated notes issued in December 2002. Interest expense in 2001 reflects an increase in short-term borrowings from Zurich Financial Services, which had a high average amount outstanding during 2001.

At January 1, 2002 we adopted SFAS 142, Goodwill and Other Intangible Assets , which prohibits the amortization of goodwill. Amortization of goodwill in 2001 was US$ 7.8 million. Restructuring costs were US$ 50.0 million in 2001 and were incurred relating to our initial public offering and related transactions. No restructuring costs were incurred during 2003 or 2002.

Our income tax (expense) benefit was US$ (39.3) million, US$ 49.4 million and US$ 169.9 million for the years ended December 31, 2003, 2002 and 2001, respectively. Our effective tax rate for 2003 was 17.5%, compared to a benefit of 86.1% and 31.6% in 2002 and 2001, respectively. The 2002 consolidated tax benefit reflects a one-time benefit of US$ 21.3 million as the result of a ruling received from the Swiss tax authorities regarding a tax loss carried forward. The 2001 consolidated tax benefit results from pre-tax losses.

Results by business segment

In October 2003, Converium implemented changes to its organizational and financial reporting structures. At the time of its IPO in December 2001, Converium adopted an organizational model based on geography. This was largely driven by the historical development of its then parent, Zurich Financial Services. Over its first two years as an independent reinsurer, Converium has become more globally integrated and has seen its business strategy evolve. As a result, the issues of legal entity and geography have become less relevant criteria when evaluating business strategy and capital and resource allocation.

Converium s business is now organized around three operating segments: Standard Property & Casualty Reinsurance, Specialty Lines and Life & Health Reinsurance, which are based principally on global lines of business. In addition to the three segments financial results, the Corporate Center carries certain administration expenses, such as costs of the Board of Directors, the Global Executive Committee, and other global functions. To measure the financial performance of our operating segments, we define segment income as income before other income (loss), interest expense, amortization of goodwill, restructuring costs and income taxes.

Converium s financial results for 2003 were primarily driven by profitable growth in Standard Property & Casualty Reinsurance and Specialty Lines, the continued solid performance in non-life underwriting as well as the current conditions in the capital markets. The following discusses Converium s segment results for the years ended December 31, 2003, 2002 and 2001. A reconciliation of segment results to income before taxes is as follows:

(US$ million)

Year ended December 31	2003	2002	2001
Segment income (loss):			
Standard Property & Casualty Reinsurance	183.7	55.8	-147.3
Specialty Lines	115.2	56.0	-277.2
Life & Health Reinsurance	-11.9	-6.5	-17.7
Corporate center	-34.3	-30.3	-7.3
Other income (loss)	2.7	-1.2	-5.8
Interest expense	-31.0	-16.4	-24.2
Amortization of goodwill and restructuring costs			-57.8
Income (loss) before taxes	224.4	57.4	-537.3

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Standard Property & Casualty Reinsurance
(US$ million)

Year ended December 31	2003	2002	2001
Gross premiums written	1,795.4	1,542.3	1,495.6
Net premiums written	1,645.6	1,452.2	1,280.0
Net premiums earned	1,629.9	1,396.7	1,220.5
Total investment results	101.5	98.1	86.2
Segment income (loss)	183.7	55.8	-147.3
Loss ratio non-life	68.3%	76.3%	93.2%
Underwriting expense ratio non-life	22.3%	22.2%	19.6%
Administration expense ratio non-life	4.3%	4.4%	6.0%
Combined ratio non-life	94.9%	102.9%	118.8%
Retention ratio (net premiums written divided by gross premiums written)	91.7%	94.2%	85.6%

Standard Property & Casualty Reinsurance reported segment income (loss) of US$ 183.7 million, US$ 55.8 million and US$ (147.3) million in 2003, 2002 and 2001, respectively. The increase in segment income was primarily attributable to:

The non-life loss ratio improved by 8.0 percentage points for the year ended December 31, 2003, versus the same period in 2002. This improvement resulted from overall solid results in the property line of business, as 2003 was absent any major catastrophe activity.

In 2003, segment income was increased by US$ 49.4 million from net positive developments of prior years reserves. Net positive development of prior years loss reserves on property lines of US$ 113.5 million (primarily from the 2002 year) was partially offset by net adverse development of the motor and general third party liability lines of US$ 64.1 million (primarily from 2001 and prior years). As a multi-line reinsurer, there are always likely to be reserve adjustments at the line of business level. The Standard Property & Casualty Reinsurance segment s book of business is broadly diversified by line of business as well as balanced by region and by the expected duration of its claims obligations.

In 2002, Standard Property & Casualty Reinsurance experienced US$ 51.1 million (net of reinstatement premiums of US$ 3.1 million) in losses from the European floods and US$ 62.2 million in net adverse loss development on prior years business, primarily from the motor, general third party liability and property lines of business. The non-life loss ratio for 2001 was 93.2%, and included net reserve development related to prior accident years and the September 11th terrorist attacks.

The investment results and return for 2003 were positively impacted by the recovery of the global capital markets.

For the year ended December 31, 2003, gross premiums written increased 16.4% to US$ 1,795.4 million, net premiums written increased 13.3% to US$ 1,645.6 million and net premiums earned increased 16.7% to US$ 1,629.9 million.

For the year ended December 31, 2003, premium growth in Standard Property & Casualty Reinsurance by line of business included:

Property (net premiums written in 2003 increased by 25.7% or US$ 161.0 million to US$ 787.0 million); and

Motor (net premiums written in 2003 increased by 7.7% or US$ 35.0 million to US$ 488.5 million).

The above increases reflect strong market conditions and were offset by a decrease in net premiums written in other miscellaneous standard lines.

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Specialty Lines
(US$ million)

Year ended December 31	2003	2002	2001
Gross premiums written	2,022.0	1,650.3	1,129.1
Net premiums written	1,811.9	1,555.3	968.4
Net premiums earned	1,663.6	1,458.0	857.6
Total investment results	132.4	125.3	108.3
Segment income (loss)	115.2	56.0	-277.2
Loss ratio non-life	74.6%	80.0%	109.5%
Underwriting expense ratio non-life	21.6%	20.0%	28.8%
Administration expense ratio non-life	4.4%	4.4%	6.0%
Combined ratio non-life	100.6%	104.4%	144.3%
Retention ratio (net premiums written divided by gross premiums written)	89.6%	94.2%	85.8%

Specialty Lines reported segment income (loss) of US$ 115.2 million, US$ 56.0 million and US$ (277.2) million in 2003, 2002 and 2001, respectively. In addition to the positive results for 2003, the cash flow generated by the continuing growth in longer tail lines increased total invested assets. Therefore, a substantial part of this segment s expected profitability will emerge as investment income in future periods. The increase in segment income was primarily attributable to:

The non-life loss ratio improved by 5.4 percentage points for the year ended December 31, 2003, versus the same period in 2002.

In 2003, segment income was decreased by US $18.1 million from net adverse developments of prior years loss reserves. Adverse development on workers compensation and professional liability and other special liability lines of US$ 120.3 million (primarily from 2000 and prior years) was largely offset by net positive development of prior years loss reserves on aviation and space of US$ 102.2 million (primarily from the 2002 year). As a multi-line reinsurer, there are always likely to be reserve adjustments at the line of business level. The Specialty Lines segment s book of business is broadly diversified by line of business as well as balanced by region and by the expected duration of its claims obligations.

In 2002, Specialty Lines experienced US$ 86.3 million in net adverse loss development on prior years business, primarily from the commercial umbrella and medical errors and omissions liability lines of business. The non-life loss ratio for 2001 was 109.5%, and included net reserve development related to prior accident years, the September 11th terrorist attacks and the Enron Chapter 11 reorganization.

The investment results and return for 2003 were positively impacted by the recovery of the global capital markets.

These improvements were somewhat offset by an increase of 1.6 percentage points in the underwriting expense ratio in 2003, from 20.0% in 2002 to 21.6% in 2003. The 2002 ratio was lowered as a result of a cumulative catch-up on one of our retrocessionaires and certain aviation business.

For the year ended December 31, 2003, gross premiums written increased 22.5% to US$ 2,022.0 million, net premiums written increased 16.5% to US$ 1,811.9 million and net premiums earned increased 14.1% to US$ 1,663.6 million.

Specialty Lines growth was spread across most lines and primarily resulted from increased rates, increasing the share of clients business upon renewing existing business or writing new business.

For the year ended December 31, 2003, premium growth in Specialty Lines included:

- Professional liability and other special liability (net premiums written in 2003 increased by 11.4% or US$ 61.1 million to US$ 598.0 million), which grew as a result of the improving directors and officers market in the United States and new business written in North America and sourced through the London broker market;

- Workers compensation (net premiums written in 2003 increased by 40.9% or US$ 90.3 million to US$ 310.9 million), which grew as a result of the renewal of a large program in 2003;

- Credit and surety (net premiums written in 2003 increased by 17.9% or US$ 35.9 million to US$ 236.0 million); and

- Agribusiness (net premiums written in 2003 increased by 309.1% or US$ 68.0 million to US$ 90.0 million), whose growth reflects the hardening market which resulted from the exit of several insurers and reinsurers in mid-to-late 2002.

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The above increases were offset by a decrease in net premiums written in the aviation and space line of business resulting from an increase in ceded premiums for external reinsurance protection, principally associated with Converium s increased participation in the GAUM pool, and softening markets as a result of recent low loss activity.

Life & Health Reinsurance
(US$ million)

Year ended December 31	2003	2002	2001
Gross premiums written	406.5	343.2	256.5
Net premiums written	369.5	314.7	234.2
Net premiums earned	383.0	310.8	217.1
Total investment results	17.5	18.1	15.8
Segment income (loss)	-11.9	-6.5	-17.7
Underwriting expense ratio	20.9%	20.6%	10.0%
Administration expense ratio	3.5%	3.6%	2.1%
Retention ratio (net premiums written divided by gross premiums written)	90.9%	91.7%	91.3%

Life & Health Reinsurance reported segment loss of US$ 11.9 million, US$ 6.5 million and US$ 17.7 million in 2003, 2002 and 2001, respectively. The decrease in segment results in 2003 was primarily attributable to the development on a closed block of Guaranteed Minimum Death Benefit (GMDB) business. The 2001 results also included net losses related to the September 11th terrorist attacks of US$ 12.0 million.

The Life & Health Reinsurance segment strengthened reserves on a closed block of variable annuity business by US$20.5 million (to net US$ 56.0 million), US$ 15.6 million and US$13.4 million in 2003, 2002 and 2001, respectively. As a result of the strong performance of the US stock markets, the GMDB s net amount at risk further decreased to US$ 809.7 million and US$1,243.0 million at December 31, 2003 and 2002, respectively. Although Converium feels that its currently carried reserves for its GMDB exposure are adequate, it has exercised the call option it negotiated in the third quarter of 2003, to access additional reinsurance protection of up to US$ 75.0 million. This decision was made in light of the current volatility and the valuation of the equity markets in the United States. The annual expense associated with this protection is expected to be less than US$ 0.5 million per year. Based on information available today, this additional reinsurance protection adequately addresses potential adverse deviations to the key assumptions i.e., mortality risks, lapse rate risks, surrenders, and investment risks, such as equity market performance and volatility, incorporated in Converium s models.

For the year ended December 31, 2003, gross premiums written increased 18.4% to US$ 406.5 million, net premiums written increased 17.4% to US$ 369.5 million and net premiums earned increased 23.2% to US$ 383.0 million.

For the year ended December 31, 2003, premium growth in the Life & Health Reinsurance segment included:

Accident and health (net premiums written in 2003 increased by 29.6% or US$ 47.4 million to US$ 207.4 million). This growth primarily resulted from the further development of this line of business, which Converium began to underwrite in North America in 2001, as well as growth of business written in Continental Europe.

The underwriting expense ratio was 20.9% in 2003, 20.6% in 2002 and 10.0% in 2001. In 2001, US$ 10.6 million in commission benefits were recorded from the commutation of a large contract and a refunding of commissions from our strategic retrocessions, reducing the underwriting expense ratio by 4.9%.

Corporate Center
(US$ million)

Year ended December 31	2003	2002	2001
Operating and administration expenses	-34.3	-30.3	-7.3

The Corporate Center carries certain administration expenses, such as costs of the Board of Directors, the Global Executive Committee, and other global functions. The Corporate Center reported operating and administration expenses of US$ 34.3 million, compared to US$ 30.3 million in 2002 and US$ 7.3 million in 2001. The increases primarily arose from expenditures to support the growth in operations, and the weakening of the US dollar. Corporate Center charges in 2001 were low as global functions were just being established to prepare for the IPO in late 2001.

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Financial condition and liquidity

Invested assets

Our assets are invested with the objective of achieving investment returns consistent with those of the markets in which we invest, using appropriate risk management, diversification, tax and regulatory considerations, and to provide sufficient liquidity to enable us to meet our obligations on a timely basis. We principally focus on high quality, liquid securities, and seek to invest in securities whose durations correspond to the estimated duration of the reinsurance liabilities they support.

Our approach to fixed income investments is to limit credit risk by focusing on investments rated A or better and to reduce concentration risk by limiting the amount that may be invested in securities of any single issuer or group of issuers. With respect to equity investments, we seek to diversify our equity portfolio so as to provide a broad exposure across major sectors of individual stock markets. To reduce the effects of currency exchange rate fluctuations, we seek to match the currencies of our investments with the currencies of our underlying reinsurance liabilities.

As of December 31, 2003, total invested assets were US$ 7.5 billion compared to US$ 6.1 billion as of December 31, 2002, an increase of US$ 1.4 billion, or 23.1%. This increase is mainly due to strong operating cash flow as well as increases in unrealized gains on investments, and changes in currency translation due to the weakening of the US dollar.

Our asset mix, including cash and cash equivalents, consisted of the following at December 31, 2003 and 2002:

Asset Class	As of Dec. 31, 2003	As of Dec. 31, 2002
Fixed maturity securities (including the Funds Withheld Asset)	82.7%	78.6%
Equity securities*	9.7%	7.0%
Cash and short-term investments	4.3%	10.5%
Real estate and other*	3.3%	3.9%
Total	100.0%	100.0%

* PSP Swiss Property AG is included in Real estate and other with a market value of US$ 80.0 million as of December 31, 2003 and US$ 75.0 million as of December 31, 2002.

Our investments are managed mostly by external investment managers, and their performance is measured against benchmarks. The table below presents our investments and returns in the major managed portfolios, as well as the applicable benchmark and benchmark return for 2003. The balances at December 31, 2003 are shown in original currencies.

		Performance[1]		
(in millions of original currencies unless noted)	Market value	Benchmark	Portfolio	Delta
Largest portfolios in US$				
Fixed maturities	2,170.3	3.00% [2]	2.85%	0.15%
Mortgage-backed securities	849.1	3.07% [3]	3.18%	0.11%
Equity securities	365.4	28.75% [4]	28.62%	0.13%
Largest portfolios in EUR				

Fixed maturities	381.9	3.15% [5]	3.03%	0.12%
Equity securities	157.1	16.32% [6]	16.05%	0.27%
Largest portfolios in UK pounds				
Fixed maturities	287.7	2.46% [7]	2.32%	0.14%
Equity securities	64.8	18.08% [8]	17.69%	0.39%
Largest portfolio in Swiss francs				
Real estate (direct and indirect)	261.6	n.a.	6.98%	n.a.
Largest portfolio in Australian $				
Fixed maturities	182.7	2.98% [9]	3.02%	0.04%

[1] Performance is defined as quarterly time-weighted return

[2] SSB USD WGBI 3-5 years Index/SSB World BIG Index ex MBS ex BBB 1 10

[3] Lehman Mortgage Index

[4] MSCI USA Index, S & P 500

[5] SSB Euro World BIG Index ex MBS ex BBB

[6] MSCI Euro ex UK

[7] FTSE Government All Stock Index

[8] MSCI UK

[9] UBSWA Composite all (from January 1, 2003 September 30, 2003), Citigroup Australian AAA/AA/A (as of October 1, 2003)

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Fixed maturities
As of December 31, 2003, our fixed maturities portfolio, excluding the Funds Withheld Asset (described more fully below), had a carrying value of US$ 4.9 billion and represented 63.1% of our total investment portfolio including cash and cash equivalents (82.7% including the Funds Withheld Asset). This represents an increase in carrying value of US$ 1,485.5 million, or 43.1%, from December 31, 2002, excluding the Funds Withheld Asset. This increase was mainly due to the reinvestment of 2003 cash flows from operations, the reinvestment in 2003 of proceeds received in late 2002 from our guaranteed subordinated notes and unrealized gains on fixed maturities and currency translation adjustments.

To protect our balance sheet from a possible rise of the yield curves, we stabilized the modified duration of our bond portfolio, excluding held-to-maturity securities, at 3.6. Additionally, we created a portfolio of held-to-maturity government bonds totalling US$ 500.4 million (10.2% of our fixed maturities portfolio, excluding the Funds Withheld Asset), of which US$ 308.0 million were transferred from available-for-sale to held-to-maturity and US$ 192.4 million were directly invested from operational cash flow.

We invest in government, agency and corporate fixed income securities of issuers from around the world that meet our liquidity and credit standards. We place an emphasis on investing in listed fixed income securities that we believe to be liquid.

The table below presents the composition of our fixed maturities securities portfolio, excluding short-term investments, based on carrying value by scheduled maturity.

(US$ million)	Estimated fair value	% of total	Carrying value	% of total
As of December 31, 2003	Available-for-sale (AFS)	AFS	Held-to-maturity (HTM)	HTM
Less than one year	48.9	1.1	19.0	3.8
One year through five years	2,241.7	50.6	78.8	15.7
Five years through ten years	939.0	21.2	364.7	72.9
Over ten years	162.1	3.7	37.9	7.6
Subtotal	3,391.7	76.6	500.4	100.0
Mortgage and asset-backed securities	849.1	19.2		
Unit trust bonds	187.4	4.2		
Total as of December 31, 2003	4,428.2	100.0	500.4	100.0

Most of our fixed income securities are rated by Standard & Poor s, Moody s or similar rating agencies. As of December 31, 2003, approximately 99.5% of our fixed maturities securities portfolio was invested in securities rated A or better by these agencies and approximately 81.2% was invested in AAA/Aaa-rated securities.

The table below presents the composition of our fixed income securities portfolio by rating as assigned by Standard & Poor s or Moody s, using the lower of these ratings for any security where there is a split rating.

(US$ million)

As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total AFS	Carrying value Held-to-maturity (HTM)	% of total HTM
AAA/Aaa	3,514.8	79.4	485.2	97.0
AA/Aa2	501.5	11.3	15.2	3.0
A/A2	388.5	8.8		
BBB/Baa2	9.3	0.2		
BB	10.1	0.2		
Not rated	4.0	0.1		
Total as of December 31, 2003	4,428.2	100.0	500.4	100.0

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Our guidelines also restrict our maximum investment in bonds issued by any group or industry sector by reference to local benchmarks and applicable insurance regulations. As of December 31, 2003, no aggregated amount of bonds issued by a single group (excluding governments and funds) represented more than 5% of our fixed maturities securities portfolio. Our ten biggest direct investments in corporate obligations (excluding commercial mortgage and asset-backed securities) were:

(US$ million) As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total AFS
KFW International Finance Inc.	17.7	0.4
Citigroup Inc.	17.4	0.4
General Electric Capital Corp.	16.2	0.4
Household Finance Corp.	14.9	0.3
Morgan Stanley	12.7	0.3
Goldman Sachs Group Inc.	10.1	0.2
Concentric Ltd. Inc.	10.0	0.2
Bank of America Corp.	9.7	0.2
Kreditanstalt für Wiederaufbau	9.7	0.2
NV Bank Nederlandse Gemeenten	9.0	0.2

Our five largest investments in funds investing in fixed maturities as of December 31, 2003, were:

(US$ million) As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total AFS
BGI Government/Corporate Bond Fund	52.2	1.2
HSBC AM French Government Bond Fund	47.2	1.1
BGI UK Corporate Bond Fund	31.3	0.7
Gilttrak Accumulating Shares	30.6	0.7
Zurich Invest Renten Euroland	15.3	0.3

As of December 31, 2003, our investments in mortgage and asset-backed securities were US$ 849.1 million. These investments are summarized as follows:

(US$ million) As of December 31, 2003	Estimated fair value Mortgage and asset-	% of total Mortgage and asset-

	backed securities	backed securities
Federal National Mortgage Association	478.7	56.4
Governmental National Mortgage Association	155.2	18.3
Federal Home Loan Mortgage Corporation	143.7	16.9
Other mortgage and asset-backed securities	71.5	8.4
Total	849.1	100.0

Equity securities

As of December 31, 2003, our equity securities portfolio had a carrying value of US$ 840.2 million. This represents an increase in carrying value of US$ 309.4 million, or 58.3%, from December 31, 2002. This increase was primarily due to purchases, as well as unrealized gains due to the continued recovery of the capital markets and changes in currency translation due to the weakening of the US dollar. This brought our equity allocation, excluding our investment in PSP Swiss Property AG, back to approximately 9.7% of our total investment portfolio as of December 31, 2003, including cash and cash equivalents.

Substantially our entire equity portfolio consists of listed securities, held directly or through funds. Currently our entire equity portfolio is in developed markets.

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Our ten largest direct equity investments as of December 31, 2003, were:

(US$ million) As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total Equity securities
PSP Swiss Property AG	80.0	9.5
General Electric Company	12.3	1.5
Microsoft Corp.	10.6	1.3
Pfizer Inc.	10.5	1.2
Exxon Mobil Corp.	10.4	1.2
Citigroup Inc.	9.7	1.2
Total Fina Elf S.A.	8.4	1.0
Intel Corp.	8.2	1.0
Wal Mart Stores Inc.	7.3	0.9
Cisco Systems Inc.	7.1	0.8

Our four largest investments in funds investing in equities as of December 31, 2003, were:

(US$ million) As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total Equity securities
BT Institutional Funds Equity 500 Index	184.3	21.9
Barclay s Global Investors Index Selection UK Fund	115.4	13.7
Barclay s Global Investors Index Selection Europe ex UK Fund	64.0	7.6
Vanguard Institutional Index Fund	11.0	1.3

Our exposure to private equity fund investments as of December 31, 2003 was approximately US$ 59.9 million. This represents the sum of the fair value of invested capital (as determined by the fund managers) and remaining unpaid commitments. Of this total, the value of remaining unpaid commitments was approximately US$ 12.6 million.

Our five largest investments in private equity funds as of December 31, 2003, were:

(US$ million) As of December 31, 2003	Estimated fair value Available-for-sale (AFS)	% of total Equity securities
Capital Z Financial Services Fund II	20.7	2.5
Oak Hill Securities Fund LP	16.3	1.9
Oak Hill Securities Fund LP II	4.4	0.5
Clayton, Dublier & Rice Fund	3.4	0.4

Insurance Partners LP	2.5	0.3

At December 31, 2003 and 2002, gross unrealized gains on our equity portfolio were US$ 96.2 million and US$ 2.6 million and gross unrealized losses were US$ 1.7 million and US$ 56.2 million, respectively. We have reviewed the securities that have declined in value and have recorded impairments accordingly.

Our impairment policy requires us to record, as realized capital losses, declines in value that exceed 20% over a period of six months, or that exceed 50% regardless of the period of decline. To continue to adhere to emerging asset impairment standards, beginning in the second quarter of 2003, we revised our impairment policy to also record as realized capital losses any declines in value of equity securities over a period of more than twelve months. The same policy applies to fixed maturities securities when the decline in value is attributable to the deteriorating credit-worthiness of the issuer. At management s judgment, we impair additional securities based on prevailing market conditions by considering various factors such as the financial condition of the issuer, the market value and the expected future cash flows of the security.

Our guidelines also restrict our maximum investment in any one equity security or industry sector by reference to local benchmarks and applicable insurance regulations. As of December 31, 2003, excluding our investments in funds and PSP Swiss Property AG, no single equity security represented more than 5% of our equity securities portfolio.

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Funds Withheld Asset

The transfer of certain historical reinsurance business to Converium was effective as of July 1, 2001 by means of the Quota Share Retrocession Agreement. In addition, on that date, the Funds Withheld Asset was established. Its initial balance was set to match the net balance of the liabilities, less the premium receivables (including outstanding collectible balances and reinsurance deposits) on the business to which the Quota Share Retrocession Agreement applies. As of December 31, 2003, the Funds Withheld Asset was US$ 1,530.6 million compared to US$ 1,648.1 million at December 31, 2002. The decrease of US$ 117.5 million was substantially due to paid claims and commutations offset by changes in foreign exchange rates.

The table below shows the distribution of the Funds Withheld Asset by currency as of December 31, 2003 and 2002.

Funds Withheld Asset

As of December 31	2003	2002
US dollar	47%	53%
UK pound	26%	23%
Euro	23%	19%
Japanese yen	2%	2%
Swiss franc	2%	1%
Australian dollar		2%
Total	100%	100%
Weighted average interest rate	5.4%	5.3%

Effective October 1, 2003, Zurich Financial Services novated all of its Australian reinsurance business to Converium and paid us the remaining Funds Withheld Asset balance. As a result, the Australian portion of the Funds Withheld Asset is now zero.

In general, the Funds Withheld Asset is reduced by paid claims, profit commissions, amounts paid to maintain the retrocession agreements and other amounts paid on the business subject to the Quota Share Retrocession Agreement, and is increased by premiums (less premium refunds), salvage and subrogation, recoveries under retrocession agreements, profit commissions and other amounts received for the business subject to the Quota Share Retrocession Agreement. The balance of the Funds Withheld Asset will decrease over time. However, business historically written on the Zurich Insurance Company (ZIC) and Zurich International Bermuda Ltd (ZIB) balance sheets is being renewed and written on the Converium balance sheet. As a result, we will generate invested assets from the new and renewal business written on the Converium balance sheet which we expect to at least partially offset reductions of the balance of the Funds Withheld Asset. We do not expect the Funds Withheld Asset to have a material impact on our liquidity, as we will not be required to access our own liquidity sources for claims under the Quota Share Retrocession Agreement.

Short-term investments

Our short-term investment portfolio includes investments in fixed-term deposits and fiduciary investments. These investments generally have maturities of between three months and one year. As of December 31, 2003, we had short-term investments with a carrying value of US$ 55.8 million, representing 0.7% of our total investment portfolio, including cash and cash equivalents. Short-term investments at December 31, 2002 were US$ 318.0 million, and included US$ 193.7 million in proceeds received on December 23, 2002 from the issuance of our guaranteed

subordinated notes. These proceeds were substantially invested in January 2003. None of our short-term investments portfolio is restricted as to its use.

Real estate

At December 31, 2003 and 2002, we had real estate held for investment of US$ 130.2 million and US$ 167.9 million, respectively, consisting primarily of investments in residential and commercial rental properties located in Switzerland. The reduction of the allocation is due to the sale of some non-core properties, partially offset by the impact of the weakening US dollar. Our direct real estate portfolio represented 1.7% of our total investment portfolio, including cash and cash equivalents.

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Our five largest real estate investments as of December 31, 2003, were:

Real estate

(US$ million) As of December 31, 2003		Carrying value	% of total Other investments
Dietikon	Residential/commercial building	23.5	13.5
Effretikon	Residential building	15.4	8.9
Zurich	Residential/commercial building	15.2	8.8
Basel	Residential/commercial building	13.1	7.6
Bern	Residential/commercial building	10.1	5.8

In addition to these properties, Converium owns a 7.4% participation in PSP Swiss Property AG (an indirect real estate investment, included in equity securities) with a market value of US$ 80.0 million as of December 31, 2003.

Premiums receivable

We had premiums receivable of US$ 2.0 billion at December 31, 2003 compared to US$ 1.7 billion at December 31, 2002, an increase of US$ 287.0 million, or 16.7%. This increase is due to strong growth in premium volume in 2003. Premiums receivable include those currently due, as well as deferred premiums receivable, which is comprised primarily of accruals on premium balances which have not yet been reported and which are not contractually due to be paid until sometime in the future. Current premiums receivable represented 9.1% and 7.6% of total premiums receivable at December 31, 2003 and 2002, respectively, and accrued premiums receivable represented 90.9% and 92.4%, respectively.

Reinsurance assets

Retrocessional reinsurance arrangements generally do not relieve Converium from its direct obligations to its reinsureds. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any retrocessionaire is unable or unwilling to meet the obligations assumed under the retrocessional agreements. At December 31, 2003, we hold US$ 635.3 million in collateral as security under related retrocessional agreements in the form of deposits, securities and/or letters of credit. Converium is able to access outside capacity for both traditional and non-traditional coverage and therefore is not dependent upon any single retrocessional market.

As of December 31, 2003 we had reinsurance recoverables from retrocessionaires of approximately US$ 1.7 billion on paid and unpaid losses and loss adjustments expenses, unearned premium reserves and future life benefits, an increase of 5.6% from December 31, 2002. Recoverables from subsidiaries of Zurich Financial Services total 19.5% of equity at December 31, 2003. Recoverables from one other third-party retrocessionaire were 10.2% of equity at December 31, 2003. Recoverables from retrocessionaires relating to contracts in arbitration were 7.9% of equity at December 31, 2003. There were no recoverables from any other retrocessionaire that exceeded 10% of equity at December 31, 2003. Allowances of US$ 35.4 million and US$ 17.4 million have been recorded for estimated uncollectible receivables and reinsurance recoverables at December 31, 2003 and 2002, respectively.

Liabilities

Loss and loss adjustment expense reserves
We had gross loss and loss adjustment expense (LAE) reserves of US$ 7.8 billion at December 31, 2003, compared to US$ 6.8 billion at December 31, 2002, an increase of US$ 1.0 billion, or 15.0%. Loss and loss adjustment expense reserves, net of reinsurance recoverables for paid and unpaid losses were US$ 6.5 billion at December 31, 2003, compared to US$ 5.4 billion at December 31, 2002, an increase of US$ 1.1 billion, or 20.4%. The increase in our reserve position is due to reserves on current year business, offset by claim payments. Gross reserves for future life benefits were US$ 483.5 million at December 31, 2003 compared to US$ 371.7 million at December 31, 2002.

Loss and loss adjustment reserves are based on estimates of future payments to settle claims, including legal and other expenses. We estimate our loss and loss adjustment reserves on the basis of the facts available at the time the loss and loss adjustment expense reserves are established and use actuarial methodologies that are commonly used in our industry. Our estimates of losses and loss adjustment expenses are subject to assumptions reflecting economic and other factors such as inflation rates, changes in legislation, court rulings, case law and prevailing concepts of liability, which can change over time. We review and update our estimates and record changes to our loss and loss adjustment reserves in current income.

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Debt outstanding
As of December 31, 2003, we had total debt outstanding with a principal amount of US$ 400.0 million and a carrying amount of US$ 390.6 million. We had no scheduled debt repayments in 2003, 2002 or 2001.

In December 2002, Converium Finance S.A. issued US$ 200.0 million principal amount of non-convertible, unsecured, guaranteed subordinated notes, which are irrevocably and unconditionally guaranteed on a subordinated basis by each of Converium Holding AG and Converium AG. These notes mature in full on December 23, 2032 and bear interest at the rate of 8.25%. In 2001, in connection with the Transactions, Converium assumed US$ 200.0 million principal amount of non-convertible, unsecured, unsubordinated senior notes originally during October 1993. These notes mature in full on October 15, 2023 and bear interest at the rate of 7.125%.

In July 2003, Converium obtained a US$ 900 million unsecured syndicated letter of credit facility. The facility is guaranteed by Converium AG and will be used primarily to collateralize third-party claims related to our underwriting business. As of December 31, 2003, we had outstanding letters of credit of US$ 633.1 million under the facility. In addition to the syndicated letter of credit facility, other irrevocable letters of credit of US$ 390.3 million were outstanding at December 31, 2003 to secure certain assumed reinsurance contracts. Investments of US$ 431.1 million are pledged as collateral related to certain of these letters of credit.

Shareholders equity

As of December 31, 2003, we had total shareholders equity of US$ 2,083.3 million (US$ 52.38 per share) compared to US$ 1,738.0 million (US$ 43.55 per share) as of December 31, 2002, an increase of US$ 345.3 million (US$ 8.83 per share). This increase is mainly comprised of net income of US$ 185.1 million and an increase in net unrealized gains on investments, net of taxes, of US$ 198.6 million, offset by dividends to shareholders of US$ 29.9 million.

We believe that our capital, liquidity, and borrowing ability are sufficient to support our business and meet our present liquidity requirements.

Liquidity and capital resources

Our principal cash requirements are for the payment of dividends to shareholders, servicing debt, investment in businesses, capital expenditures, servicing retrocessional arrangements and for paying reinsurance and insurance claims, which could periodically include significant cash requirements related to catastrophic events.

Dividends from subsidiaries
As a holding company, Converium relies in large part on cash dividends and other permitted payments from its subsidiaries to make principal and interest payments on debt, to pay other outstanding obligations and to pay dividends to shareholders. Converium is subject to legal restrictions on the amount of dividends it may pay to its shareholders. Similarly, the company laws of countries in which our entities operate may restrict the amount of dividends payable by such entities to their parent companies. In addition, the ability of our entities to pay dividends may be restricted or influenced by minimum capital and solvency requirements that are imposed by regulators in the countries in which the entities operate. We do not consider current legal and regulatory dividend constraints to be a material limitation on the ability of Converium AG to pay dividends to Converium Holding AG. The maximum dividend that Converium Holding AG is able to pay in 2004, before withholding tax, is approximately US$ 142.9 million as of December 31, 2003.

Cash flows

(US$ million) Year ended December 31	2003	2002	2001
Cash provided by operating activities	1,265.3	870.4	311.5
Reimbursement of reinsurance recoverables in dispute		136.7	
Cash provided by operating activities, excluding reimbursement of reinsurance recoverables in dispute	1,265.3	733.7	311.5

We held cash and cash equivalents of US$ 280.8 million at December 31, 2003 compared to US$ 361.5 million at December 31, 2002, representing a decrease of US$ 80.7 million. Our cash balances at the end of both periods include a relatively high level of cash held by our investment managers for duration matching purposes.

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Our cash flows from operating activities result principally from premiums, collections on losses recoverable and investment income, net of paid losses, acquisition costs and underwriting expenses. Our cash provided by operating activities was US$ 1,265.3 million for the year ended December 31, 2003 compared to US$ 870.4 million and US$ 311.5 million for the years ended December 31, 2002 and 2001, respectively. This represented increases of US$ 394.9 million, or 45.4% in 2003, and US$ 558.9 million or 179.4% in 2002. The increase in 2003 was driven by improved operating performance, including strong premium growth. The 2002 cash flow reflects a US$ 136.7 million reimbursement of reinsurance recoverables in dispute received in the second quarter of 2002. Cash provided by financing activities in 2002 was primarily due to the issuance of our guaranteed subordinated notes. Cash provided by financing activities in 2001 was primarily due to a capital contribution we received from Zurich Financial Services.

As a reinsurer, our future cash flows are inherently difficult to predict. This uncertainty is particularly pronounced with respect to some coverage we provide, such as long-tail lines, where claims information emerges over a relatively long period of time, and property catastrophe coverage, which generally produces losses of low frequency but high severity. Accordingly, it is not possible to predict our future cash flows from operating activities with precision. As a consequence, our cash flows from operating activities may fluctuate, perhaps significantly, from quarter to quarter and from year to year. For example, our cash flows were adversely affected by the events of September 11th. We expect that a significant portion of the cash outflows relating to these events will occur over a period of several years, mainly because of the time involved to determine with accuracy the losses of the primary insurance companies and reporting these losses to reinsurers. Accordingly, our cash flow and investment income will be impacted gradually over the next few years.

Related party transactions

As part of our strategy to generate additional business, we have entered into long-term strategic alliances and made investments in certain entities as follows:

- Global Aerospace Underwriting Managers Limited (GAUM), a leading international aviation underwriting agency;
- MDU Services Ltd, which distributes medical malpractice insurance policies to the members of the Medical Defence Union (MDU); and
- SATEC, a leading global space underwriting agency based in Venice, Italy.

Gross premiums assumed through these relationships were US$ 409.6 million, US$ 209.4 million and US$ 102.1 million for 2003, 2002 and 2001, respectively. The increase in 2003 was due to increasing our share of the underwriting pools managed by GAUM from 9% in 2002 to 25% in 2003. The increase in 2002 was due to increased premiums assumed from MDU.

Critical accounting policies

Our discussion and analysis of the financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The preparation of these financial statements in accordance with US GAAP requires the use of estimates and judgments that affect the reported amounts and related disclosures. Changes in our financial and operating environment could influence the accounting estimates that support our financial statements. The following presents those accounting policies that management believes are the most critical to its operations and those policies that require significant judgment on the part of management. The assumptions and judgments used by

management are the ones they believe to be the most appropriate at this time. However, as described below, these estimates could change materially if different information or assumptions were used. The descriptions below are summarized and have been simplified for clarity. A more detailed description of these and other significant accounting policies used by us in preparing our financial statements is included in the Notes to the Consolidated Financial Statements.

Non-life loss and loss adjustment reserves

We are required by applicable insurance laws and regulations, as well as US GAAP, to establish reserves for payment of losses and loss adjustment expenses that arise from our non-life reinsurance and insurance businesses. Loss and loss adjustment reserves are based on estimates of future payments to settle claims, including legal and other expenses. The liability for unpaid losses and loss adjustment expenses for property and casualty business includes amounts determined from loss reports on individual cases and amounts for losses incurred but not reported. We estimate our loss and loss adjustment reserves on the basis of facts reported to us by ceding companies, in conjunction with actuarial estimates and methodologies, which are commonly used in our industry, for instances where we have not received reports from ceding companies. Our estimates of losses and loss adjustment expenses are subject to assumptions reflecting economic and other factors such as inflation rates, changes in legislation, court rulings, case law and prevailing concepts of liability, which can change over time. In addition, if ceding company data is not provided to us on a timely basis, this could potentially impact the accuracy of our estimates. We review and update our estimates and record changes to our loss and loss adjustment reserves in current income.

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The impact of changes in loss estimates can be mitigated by risk diversification. Risk diversification is a basic risk management tool in the insurance and reinsurance industry; as a multi-line reinsurer there are always likely to be reserve adjustments at the line of business level. Our book of business is broadly diversified by line of business as well as balanced by region and by the expected duration of its claims obligations.

Premiums
When we underwrite business, we receive premiums for assuming the risk. Premiums written in any given period include premiums reported to us by our clients and those we estimate and accrue on contracts underwritten.

In a typical reporting period, we generally earn a portion of the premiums written during that period together with premiums that were written during earlier periods. Likewise, some part of our premiums written will not be earned until future periods. We allocate premiums written but not yet earned to an unearned premium reserve, which represents a liability on our balance sheet. As time passes, the unearned premium reserve is gradually reduced and the corresponding amount is released through the income statement as premiums earned. Premiums are typically earned on a pro rata basis over the period that the coverage is in effect. Our premium earned and written estimates are regularly reviewed and enhanced as information is reported to us by our clients and we are able to refine our estimates and assumptions. Our estimation procedures are also affected by the timeliness and comprehensiveness of the information our clients provide to us.

We write a wide range of different types of insurance and reinsurance policies, some of which are earned during periods shorter than one reporting period, while some are earned during substantially longer periods. This mix of business can change significantly from one period to the next and these changes can cause the relationship between written and earned premiums to differ, perhaps significantly, on a year-to-year basis. In our analysis of trends, we relate the change in premiums earned to the change in premiums written. Typically, differences in the percentage growth or decline between premiums written and earned mainly reflect differences in our mix of business from year to year.

Reinsurance recoverables
We cede reinsurance to retrocessionaires in the normal course of business. Under US GAAP, reinsurance is recorded gross in the balance sheet. Reinsurance assets (recoverables) include the balances due from retrocessionaires for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums, and ceded future life benefits. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the liabilities associated with the reinsured contracts.

Retrocessional reinsurance arrangements generally do not relieve us from our direct obligations to our reinsureds. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any retrocessionaire is unable or unwilling to meet the obligations assumed under the retrocessional agreements. Failure of retrocessionaires to indemnify us due to insolvencies or disputes could result in uncollectible amounts and losses to us. We establish an allowance for potentially uncollectible recoverables from retrocessionaires for amounts owed to us that management believes will not be collected. In addition, we immediately charge operations for any recoverable balances that are deemed to be uncollectible. Collateral and other offsets are considered in determining the allowance or expense.

Foreign currency translation
In view of our global scale and the fact that more of our business is transacted in US dollars than in any other currency, we report our financial information in US dollars. However, a large portion of our revenues and expenses are denominated in other currencies including the Euro, UK pound, Swiss franc, and Japanese yen. Since these

currencies are functional currencies for our business units, translation differences are recorded directly in shareholders equity. Exchange rate differences arising from holding assets, other than investment assets, and liabilities denominated in non-functional currencies are recorded as income or expense, as the case may be, in our income statement.

Invested assets
The majority of our fixed maturities and equity securities are classified as available-for-sale; these investments are carried at fair value. Fixed maturities for which we have the intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity securities are carried at amortized cost, if purchased, or carrying value, if transferred from the available-for-sale category to the held-to-maturity category. The difference between the fair value and amortized cost at the date of transfer of such securities is amortized over the life of the respective securities. The carrying value of transferred securities is the fair value at the date of transfer less unamortized net unrealized gains. Fixed maturities and equity securities which we buy with the intention to resell in the near term, are classified as trading and are carried at fair value. Unrealized gains or losses on investments carried at fair value, except those designated as trading are recorded in other comprehensive income, net of deferred income taxes.

When declines in values of securities below cost or amortized cost are considered to be other than temporary, an impairment charge is recorded as a realized capital loss in the statement of income for the difference between cost or amortized cost and estimated fair value.   Other than temporary declines   are declines in value of the security that exceed 20% over a period of six months, or that exceed of 50% regardless of the period of decline. To continue to adhere to emerging asset impairment

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standards, beginning in the second quarter of 2003, we revised our impairment policy to also record as realized capital losses any declines in value of equity securities over a period of more than twelve months. The same policy applies to fixed maturities securities when the decline in value is attributable to the deteriorating credit-worthiness of the issuer. At management s judgment, we impair additional securities based on prevailing market conditions by considering various factors such as the financial condition of the issuer, the market value and the expected future cash flows of the security.

Income taxes
Deferred income taxes are provided for all temporary differences, which are based on the difference between financial statement carrying amounts and the income tax bases of assets and liabilities using enacted local income tax rates and laws. In addition, a deferred tax asset is established for net operating loss carryforwards. We have significant net operating loss carry-forwards that we can use to offset future taxable income. Realization of the deferred tax asset related to these carryforwards is dependent upon generating sufficient taxable income within specified future periods. We establish a valuation allowance against our deferred tax asset based upon our assessment if it is more than likely than not that some or all of the deferred tax asset will not be realized in the applicable jurisdiction. In establishing the appropriate value of the deferred tax asset, we must make judgments about our ability to recognize the benefit of the asset over time, including our ability to utilize the net operating loss carryforwards. In the event that we are unable to realize a deferred tax asset, net income would be adversely affected to the extent a valuation allowance has not been established.

New accounting standards
We have or will be required to adopt the following new standards in the future:

SFAS 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities
In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities . This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group process and in connection with implementation issues raised in relation to the application of the definition of a derivative. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. This standard did not have a material impact on our financial condition or results of operations.

SFAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity
In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This standard did not have a material impact on us.

Statement of Position (SOP) 03 1, Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts
In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 03-1, Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts. The SOP provides guidance on accounting and reporting by insurance enterprises for certain non-traditional long-duration contracts and for separate accounts. The SOP is

effective for financial statements for fiscal years beginning after December 15, 2003, with earlier adoption encouraged. The SOP may not be applied retroactively to prior years financial statements, and initial application should be as of the beginning of an entity s fiscal year. This statement is not expected to have a material impact on our financial condition or results of operations.

Qualitative and quantitative disclosures about market risks

As a provider of reinsurance solutions, effective risk management is fundamental to our ability to protect both the interests of our clients and shareholders. We have consequently established risk and investment management processes and procedures to actively manage our exposure to qualitative and quantitative market risks. Our risk and investment management procedures focus on ensuring that all of our operating units consistently follow suitable, structured and controlled processes and procedures, with spe