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

Financial Statements

Annual Report 2003
Converium Holding AG

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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%.

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.

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.

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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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Management s discussion and analysis
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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