RLI CORP
Form 4
May 07, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DONDANVILLE JOSEPH E
(Last) (First) (Middle)
9025 N. LINDBERGH DRIVE
(Street)
PEORIA, IL 61615
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
RLI CORP [RLI]

3. Date of Earliest Transaction (Month/Day/Year)
05/06/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President/CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								86,190.015	D	
Common Stock								25,853.6359	I	By Empl. Stock Ownership Plan
Common Stock								8,951.1297	I	By Trust (2)
Common Stock								12,276	I	By Wife in Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	$ 56.34	05/06/2010		A		4,000		05/06/2011 (1)	05/06/2018	Common Stock	4,000
Stock Option	$ 29.55							05/01/2004	05/01/2013	Common Stock	28,000
Stock Option	$ 35.08							05/06/2005	05/06/2014	Common Stock	28,000
Stock Option	$ 44.54							05/05/2006	05/05/2015	Common Stock	21,000
Stock Option	$ 50.15							05/04/2007 (1)	05/04/2016	Common Stock	17,500
Stock Option	$ 56.09							05/03/2008 (1)	05/03/2017	Common Stock	18,000
Stock Option	$ 50							05/01/2009 (1)	05/01/2018	Common Stock	5,000
Stock Option	$ 54.36							08/01/2009 (1)	08/01/2018	Common Stock	5,000
Stock Option	$ 56.73							11/03/2009 (1)	11/03/2018	Common Stock	5,000
Stock Option	$ 56.89							02/02/2010 (1)	02/02/2019	Common Stock	5,000
Stock Option	$ 46.9							05/07/2010 (1)	05/07/2017	Common Stock	4,700
Stock Option	$ 50.49							08/03/2010 (1)	08/03/2017	Common Stock	4,700

Stock Option	$ 51.62	02/01/2011(1)	02/01/2018	Common Stock	4,700
Stock Option	$ 49.9	11/02/2010(1)	11/02/2017	Common Stock	4,700

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DONDANVILLE JOSEPH E 9025 N. LINDBERGH DRIVE PEORIA, IL 61615			Senior Vice President/CFO	

Signatures

/s/ Joseph E. Dondanville	05/07/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Pursuant to option schedule wherein 20% of the aggregate number of shares granted may be exercised commencing one year from grant date and each year thereafter in 20% increments.

(2) Ownership reflects dividend reinvestment.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46), which requires an enterprise to assess whether consolidation of an entity is appropriate based upon its interests in a variable interest entity (the VIE). A VIE is an entity in which the equity investors do not have the characteristics of a controlling financial interest, or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 was effective immediately for new VIEs established or purchased subsequent to January 31, 2003. The adoption of FIN 46 did not have a material impact on Converium s consolidated financial condition or results of operations, as there were no VIEs identified which required consolidation.

In December 2003, the FASB issued a revised version of FIN 46 (FIN 46(R)), which incorporates a number of modifications and changes made to the original version. FIN 46(R) replaces the previously issued FIN 46 and, subject to certain special provisions, became effective no later than the end of the first reporting period that ends after December 15, 2003 for entities considered to be special-purpose entities and no later than the end of the first reporting period that ends after March 15, 2004 for all other VIEs. Early adoption was permitted. Converium adopted FIN 46(R) at December 31, 2003. The adoption of FIN 46(R) did not result in the consolidation of any VIEs.

We have performed an evaluation of the catastrophic protection counter-party agreement with Helix 04 Limited, issued in 2004, to establish whether we are the primary beneficiary of the VIE which issued the securities. Management has concluded that we are not the primary beneficiary of the VIE (see Note 11 to our 2004 consolidated financial statements).

EITF Issue 03-1, The Meaning of Other-than-temporary Impairment and Its Application to Certain Investments (EITF 03-1) .

On September 30, the FASB delayed the effective date for the measurement and recognition guidance included in paragraphs 10 through 20 of EITF Issue 03-1. The adoption of EITF 03-1 did not have a material impact on the financial condition or results of operations.

C. RESEARCH AND DEVELOPMENT, PATENTS, LICENSES

Not Applicable

D. TREND INFORMATION

See A. Operating Results

E. OFF-BALANCE SHEET ARRANGEMENTS

Not Applicable

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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Contractual Obligations		Payment due by period				
($ thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations Principal	$ 400,000				$ 400,000
Long-Term Debt Obligations Interest	732,750	30,750	61,500	61,500	579,000
Operating Lease Obligations	85,600	13,300	26,500	24,900	20,900
Losses and loss adjustment expenses, gross (1)	8,776,900	2,071,348	2,554,078	1,430,635	2,720,839
Total	$ 9,995,250	$ 2,115,398	$ 2,642,078	$ 1,517,035	$ 3,720,739

(1) The company s unpaid losses and loss expenses represent management s best estimate of the cost to settle the ultimate liabilities based on information available as of December 31, 2004 and are not fixed amounts payable pursuant to contractual commitments. The timing and amounts of actual claims payments related to these reserves might vary significantly based on many factors including large individual losses as well as general market conditions. For further detail on our long-term debt principal and interest payments, see Note 12 to our 2004 consolidated financial statements. For further detail on our operating lease payments, see Note 21 to our 2004 consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Converium s global strategy is set by its Board of Directors, the body with ultimate responsibility for Converium s policies and management, including investment, treasury, solvency and liquidity policies. The Board of Directors consists of no less than four and no more than nine members. Currently it comprises six. With wide-ranging experience in the reinsurance sector, this group represents an appropriate mix of skills for the effective governance of a major international reinsurance organization. The Board of Directors oversees Converium s affairs and offers regular directives to the Global Executive Committee. All Board members are non-executive, independent of management, and have never held an executive position within Converium or any of its subsidiaries. No interlocking directorships exist between the Board members of Converium and Board members of any other company.

The composition of the Board of Directors includes a cross section by geography and professional experience, as well as a reasonable age distribution. The members of the Board of Directors are elected for a term of office of not more than three years, after which they become eligible for re-election. In the case of an election of a substitute, the new Board member finishes the term of office of the predecessor. The Board of Directors is headed by the Chairman or, following him, the Vice-Chairman. It meets as often as circumstances require, but at least four times per year. In 2004 the Board of Directors met six times physically and held 17 further meetings by way of conference calls. Meetings generally last one day, with Committee meetings preceding Board meetings. Board agendas are set by the Chairman. At each of its meetings the Board of Directors must be informed, through formal reports of the Chief Executive Officer (CEO) and the members of the Global Executive Committee, about the course of the business and the activity of the business segments and the Global Executive Committee. In case of important business incidents, the Board of Directors must be informed without delay. Furthermore, each Board member receives appropriate information with respect to any matter to be considered by the Board of Directors. For financial reporting purposes, this includes an appropriate quarterly reporting package comprising financial and investment information including consolidated financial accounts of the Company and its business segments.

The CEO, the Chief Financial Officer (CFO) and the General Legal Counsel attend Board meetings on a regular basis. Members of the Global Executive Committee and other executives attend meetings at the Chairman s invitation. In addition, Board members meet at regularly scheduled sessions without management. Furthermore, teleconferences and meetings between Board members and members of the Global Executive Committee are held to resolve formal matters or to exchange information. The Board of Directors performs an annual self-evaluation and sets its objectives based upon this evaluation. Annually it reviews the performance of the CEO and approves his objectives. The Head of Internal Audit reports directly to the Audit Committee, and the Board meets regularly with Converium s external auditors and as may be necessary with outside consultants to review the business, better understand all laws and policies, and support the management in meeting requirements and expectations.

The members of our Board of Directors, their dates of birth, nationality, terms of office and committee memberships as of December 31, 2004 are as follows:

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Name	Date of Birth	Nationality	Term Expires in
Peter C. Colombo (Chairman)(1)(2)(4)	June 15, 1934	Swiss	2007
Georg Mehl (Vice-Chairman)(1)(2)(4)	August 11, 1939	German	2006
Terry G. Clarke (1)(2)(3)(5)	October 31, 1941	British	2007
Derrell J. Hendrix (3)	August 9, 1953	American	2007
George G. C. Parker (3)(4)	March 29, 1939	American	2006
Anton K. Schnyder (1)(2)	November 29, 1952	Swiss	2006
Markus Dennler (6)	January 24, 1956	Swiss	2008
Rudolf Kellenberger (6)	April 30, 1945	Swiss	2008

(1) Member of the Nomination Committee

(2) Member of the Remuneration Committee

(3) Member of the Finance Committee

(4) Member of the Audit Committee

(5) In connection with his appointment as Chief Executive Officer in February 2005, Mr. Clarke has resigned from all committees of the Board.

(6) Member elected to the Board of Directors at the Company s Annual General Meeting on April 12, 2005 in Zug, Switzerland, for a three-year term of office.

Jürgen Förterer resigned from the Board of Directors on September 21, 2004.

Curricula Vitae of the Board members

Peter C. Colombo started his professional career with Gerling Group in Cologne in 1959 and was Principal Officer of Gerling Global Reinsurance Company in London from 1963 to 1965. From 1965 through 1998 he worked for Union Reinsurance Company in Zurich with various responsibilities. Mr Colombo served as President and CEO of Union Reinsurance Company from 1989, with appointments as Managing Director in 1996 and as Deputy Chairman of the Board of Directors in 1997. He serves as Deputy Chairman of the Board of Directors of Generali (Schweiz) Holding AG, Zurich, Switzerland, and as a member of the Advisory Board of the Barmenia Group in Wuppertal, Germany. Mr Colombo holds a Bachelor of Social Sciences degree (economics and politics) from the University of Birmingham, England.

Georg Mehl served as a consultant for the Wüstenrot & Württembergische Group, Stuttgart, Germany, since 2001 and in addition as a member of the Executive Management Board of Hanse-Marine-Versicherung-AG, Hamburg, Germany, until the end of 2003. Previously, he served in a series of positions with the Württembergische Group, most recently as CEO of Wüstenrot & Württembergische AG. Georg Mehl had worked for almost 30 years for the Allianz Group, Hamburg and Munich, Germany. He is Chairman of the Board of Directors of Sektkellerei Schloss Wachenheim AG, Trier, Germany. Mr Mehl also serves as a member of the supervisory or advisory boards of several German financial services and commercial institutions. He graduated from the German Insurance Academy in Cologne, Germany, in 1961.

Terry G. Clarke was a consulting actuary with the Tillinghast Business of Towers Perrin and a Principal of Towers Perrin. He joined their London office in 1986 and was Managing Principal of Tillinghast s North America practice prior to retiring at the end of 2001. From 1978 until 1986 Mr Clarke was a member of the Norwich Winterthur Group senior management team. Prior to 1978, he held various positions in the Norwich Union Group. Mr Clarke qualified as a Fellow of the Institute of Actuaries in 1967, and is co-author of several papers on non-life insurance subjects as well as a tutor and examiner. He has been a member of a number of professional committees both in the United Kingdom and in Continental Europe. Mr Clarke was appointed as Managing Director on September 10, 2004 and since February 24, 2005 has served as Chief Executive Officer of the Company at which point he resigned from all committees of the Board.

Derrell J. Hendrix is the Manager and Chief Executive Officer of The RISConsulting Group LLC, a Boston-based risk management consulting company which he founded in 1996 together with Hannover Rückversicherungs AG (through its US subsidiary, Insurance Corporation of Hannover). Mr Hendrix served from 1995 to 1996 as Managing Director and Head of Derivatives at the Bank of Boston. He began his career at Citibank in 1977, and from 1980 through 1995 he held various department head positions in Citicorp s banking and investment banking operations in Toronto, Hong Kong and London. Mr Hendrix holds a Master of Arts from the Fletcher School of Law and Diplomacy, Medford, Massachusetts, and a Bachelor of Arts from Amherst College, Amherst, Massachusetts.

George G. C. Parker is the Dean Witter Distinguished Professor of Finance and Management, Graduate School of Business, Stanford University, Stanford, California. From 1993 to 2001, Professor Parker was Senior Associate Dean for Academic Affairs and Director of the MBA Program at Stanford. Professor Parker served as Director for Executive Education, Stanford Business School, between 1979 and 1988, and from 1973 to 1979 he was Director of the Stanford Sloan Program for

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Executives. He is currently a board member of California Casualty Group of Insurance Companies, San Mateo, California; Continental Airlines Inc., Houston, Texas, and various other US-based companies. He graduated from Haverford College, Pennsylvania, with a degree in economics in 1960, and received an MBA in finance in 1962 and a doctorate in finance in 1967, both from Stanford.

Anton K. Schnyder served as a full professor for private law at the University of Basel, Switzerland, from 1993 to 2003. As of summer term 2003 he has been appointed to Zurich University as a full professor for private and international as well as comparative law. In 1994 he was appointed Vice President and in 2004 President of the Federal Appeal Commission supervising private insurance. From 1987 to 1993, Professor Schnyder served as a corporate legal adviser to the Zurich Insurance Group, and from 1992 as a member of the executive staff. He graduated from Zurich University, Switzerland, in 1978 and received his doctorate degree in 1981, being awarded the Professor-Walther-Hug-Prize for his doctoral thesis. Additionally, he holds a Master of Laws from the University of California, Berkeley. For many years he has been a special adviser to the governments of Switzerland and Liechtenstein for insurance legislation. Currently Professor Schnyder is Chairman of the working party for a revision of the Swiss Insurance Contract Law.

Markus Dennler served in a series of positions within the Credit Suisse Group, most recently as a member of the Executive Board of Credit Suisse Financial Services and as Chief Executive Officer responsible for the global operational Life & Pensions business. Prior, he was a member of the Corporate Executive Board of Winterthur Insurance (subsidiary of Credit Suisse Group). Mr Dennler studied law at the University of Zurich and graduated in 1982. He received his doctorate degree in 1984 and was admitted to the Bar of Zurich in 1986. Further he attended the International Bankers School in New York and the Harvard Business School (AMP) in Boston. Currently he is a member of the Board of Directors of Swissquote Group and a councilor of the British-Swiss Chamber of Commerce.

Rudolf Kellenberger served as Deputy Chief Executive Officer of Swiss Re from April 1, 2000 until the end of 2004. In this function he dedicated much of his time to tasks within the Corporate Center, in particular in the field of Management Development and E-Business Development. Previously, he served in a series of positions within Swiss Re s Executive Board assuming responsibilities for the Northern European reinsurance sector and Special Lines and, as of July 1998, taking on the leadership of Swiss Re s then newly founded Europe division. Mr Kellenberger studied civil engineering at the Federal Institute of Technology (ETH), Zurich, graduating in 1970. He is a member of the Board of Directors of Swiss Life.

The business address for each member of our Board of Directors is Converium Holding AG, Baarerstrasse 8, CH-6300 Zug, Switzerland.

Global Executive Committee

The Board of Directors has delegated the management of Converium to the Global Executive Committee. The Global Executive Committee comprises an executive management team currently with seven members. It is responsible for implementing Converium s global strategy, ensuring effective collaboration between each subsidiary, and business segment, and reviewing progress against financial and operating plans as approved by the Board of Directors.

At December 31, 2004 the members of our Global Executive Committee, their dates of birth, nationality and positions held are as follows:

Name	Date of Birth	Nationality	Position Held
Dirk Lohmann	November 8, 1958	German	Chief Executive Officer
Frank Schaar	April 16, 1960	German	

			Executive Vice President for Standard Property & Casualty Reinsurance
Benjamin Gentsch	April 21, 1960	Swiss	Executive Vice President for Specialty Lines
Christoph Ludemann	January 12, 1956	German	Executive Vice President for Life & Health Reinsurance
Hans Peter Boller	October 25, 1962	German	Chief Risk Officer
Martin Kauer	January 20, 1959	Swiss	Chief Financial Officer
Christian Felderer	January 5, 1954	Swiss	General Legal Counsel
Terry G. Clarke (1)	October 31, 1941	British	Chief Executive Officer
Andreas Zdrenyk (2)	June 5, 1959	Swiss	Chief Financial Officer

(1) Appointed Chief Executive Officer of the Company as of February 24, 2005.

(2) Appointed interim Chief Financial Officer of the Company as of February 28, 2005.

Gary Prestia resigned as Chief Technical Officer effective September 10, 2004. Dirk Lohmann took over the responsibilities of the Chief Technical Officer in the interim. On November 4, 2004 Martin Kauer announced his resignation as Chief Financial Officer. The Board appointed Andreas Zdrenyk as interim Chief Financial Officer of Converium following Martin Kauer s agreed departure on February 28, 2005. Andreas Zdrenyk serves as Converium s Global Chief Information Officer. A

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search and recruitment process for Mr Kauer s replacement is under way. On February 23, 2005 the Board of Directors appointed Terry G. Clarke as Chief Executive Officer and replaced Dirk Lohmann with immediate effect. Mr Clarke continues to be a member of the Board of Directors.

Dirk Lohmann was the Chief Executive Officer of Converium until leaving the Company on February 23, 2005. He joined Zurich Financial Services in September 1997 as Chief Executive Officer of its reinsurance operations in Zurich and of its German operating subsidiary, Zürich Rückversicherung (Köln) AG. In July 1998, Mr Lohmann was appointed as a member of the Group Executive Board of Zurich Financial Services, serving as the Chief Executive Officer of its global reinsurance operations. Before joining Zurich Financial Services, he held various management positions at Hannover Re between 1980 and 1997, most recently as a member of the Executive Board of Management. He is a non-executive director of GAUM and a director and chairman of MDU, both located in London, United Kingdom. Mr Lohmann received a Bachelor of Arts degree in economics and political science from the University of Michigan, Ann Arbor.

Frank Schaar is the Executive Vice President for Standard Property & Casualty Reinsurance. He joined Zürich Rückversicherung (Köln) AG as Chief Executive Officer in 2000. Previously he was employed by Hannover Re for 17 years through 1999, most recently serving as a Managing Director and a member of the extended board in charge of Asia, Australia and Africa. From 1982 until 1997, Mr Schaar served in various capacities, most recently as Senior Vice President with responsibility for Germany. Mr Schaar holds a degree in insurance economics and worked as a lecturer in reinsurance at the Institute for Professional Development of the Insurance Association in Hannover for ten years.

Benjamin Gentsch is the Executive Vice President for Specialty Lines. In 1998, he joined Zurich Re as the Chief Underwriting Officer Overseas where he was given the task of strengthening the company s position in the Asian, Australian, African and Latin American markets. In addition, he took charge of the Global Aviation reinsurance department and built up the Professional Risk and Global Marine reinsurance departments. In September 2002, Mr Gentsch was appointed Chief Executive Officer of Converium Zurich. Between 1986 and 1998, he held various positions at Union Reinsurance Company, Zurich, where from 1990 he was responsible for treaty reinsurance business in Asia and Australia. He is an alternate director of GAUM. Mr Gentsch holds a degree in business administration of the University of St. Gallen, with a focus on risk management and insurance.

Christoph Ludemann is the Executive Vice President for Life & Health Reinsurance. He joined Converium in September 2002, bringing to the company 20 years experience in the reinsurance market. From 1990 until 2002 Mr Ludemann was responsible for General Cologne Re s European and Latin American life and health markets, and from 1995 until 2002 he was also a member of the Executive Board of Management of General Cologne Re of Vienna. Between 1983 and 1990, he worked as General Cologne Re s Marketing Manager for the Netherlands, Scandinavia and Austria. Mr Ludemann has a degree in mathematics and insurance economics from the University of Cologne.

Hans Peter Boller is the Chief Risk Officer and an Executive Vice President of Converium. He is responsible for risk management, corporate compliance, pricing, reserving, Asset and Liability Management (ALM) and natural hazard modeling. In the first quarter of 2005, he additionally assumed responsibility for group retrocession and corporate compliance. He joined the company in 1999 as the Chief Actuary for Zurich Re, Zurich. Prior to 1999, he was a consultant with Tillinghast-Towers Perrin. Mr Boller is a fellow of the German Actuarial Society (DAV) and the Swiss Actuarial Society (SAV) as well as a member of the International Actuarial Association (IAA). He serves as Chairman of the Reinsurance Subcommittee of the IAA and was a member of the Risk-Based Capital Solvency Structure Working Party of the IAA, advising the supranational regulatory bodies on actuarial matters. He also serves on the Swiss Solvency Board advising the Swiss Federal Office of Private Insurance. Mr Boller holds a Master s degree in economics and engineering and a doctorate in actuarial science from the University of Karlsruhe.

Martin Kauer was the Chief Financial Officer and an Executive Vice President of Converium until leaving the Company on February 28, 2005. He served as Chief Financial Officer of Zurich Financial Services global reinsurance operations from July 1998. From 1996 to 1998 Mr Kauer managed the demutualization of Rentenanstalt/Swiss Life, where he was also responsible for Strategic Planning and Controlling. Previously, he worked for Union Bank of Switzerland as an investment banker. Mr Kauer holds a degree in economics from the University of Zurich.

Christian Felderer is the General Legal Counsel and an Executive Vice President of Converium. He joined Zurich Re in 1997 and has 20 years experience in the insurance and reinsurance industry, most recently as Senior Legal Counsel for Zurich Re and General Counsel for Converium. Between 1990 and 1997 Mr Felderer had various management responsibilities within the Zurich Group s International Division, including the establishment and management of the Captives and Financial Risk Management department and management of the Claims organization of the International Division. From 1986 to 1990 he was Corporate Legal Counsel in the General Counsel s Office of the Zurich Insurance Group, and from 1983 to 1986 he was an underwriter in the Casualty department of the International Division. Mr Felderer has a law degree from the University of Zurich and is admitted to the Bar of the Canton of Zurich.

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Andreas Zdrenyk is Chief Information Officer of Converium and has been appointed interim Chief Financial Officer of the Company as of February 28, 2005. He joined Zurich Re in 1998 and has gained in-depth insight into the Company s operations in various functions such as Chief Financial Officer of Converium Zurich and Zurich Re Zurich, respectively, and Head of Internal Audit & Consulting. Prior to joining Zurich Re Mr Zdrenyk spent a total of 16 years with the Winterthur Swiss Insurance Group, six years of which as regional Head of Internal Audit North America based in the United States. Mr Zdrenyk, a Swiss citizen, holds a Master s of Business Administration degree from Cox School of Business (Dallas, USA) and a Master s of Information Systems/Information Technology degree from the Swiss Association of Commerce (Zurich, Switzerland).

The standard notice period for termination of members of the Global Executive Committee is six months, with the exception of the Chief Executive Officer who has a notice period of twelve months, reflecting the traditional practice of Swiss-based companies. However, there are certain exceptions to this standard, reflecting prevailing local practices in the jurisdictions where the executives are currently employed.

The business address for each current member of our Global Executive Committee is Baarerstrasse 8, CH-6300 Zug, Switzerland.

B. COMPENSATION

Compensation of Directors

Directors fees have been determined to ensure that we can attract and retain high caliber individuals appropriate to serve a global reinsurance organization. We also grant equity-based compensation to our directors.

Board remuneration

In 2003 the Board of Directors reviewed its overall compensation structure in consideration of its increased workload and emphasis on enlarged Committee work and more complex corporate governance rules. Since then the level of compensation remained unchanged. For the office term 2004/2005, basic cash compensation for an ordinary Board member, set at $80,593, includes compensation for membership of one Committee. Board members are entitled to receive equity compensation granted at the end of the respective period for which it is due, which shall comprise Converium shares equal to a value of $20,148 with a restriction period of three years, and share options equal to a value of $20,148 calculated on the Black-Scholes formula on the basis of Converium s share price at the beginning of the period. The Chairman is entitled to an increase of 50% and the Vice Chairman to one of 25% of the individual elements of the compensation package. The following compensation was agreed for membership of a second and third Committee:

$3,224 for membership of a second Committee

$2,418 for membership of a third and any subsequent Committee and additionally,

$4,030 if the member holds one or more chairmanships in the Committees.

The remuneration of the Board of Directors is not performance-related.

The table below illustrates the compensation paid to each Board member in 2004. Cash compensation paid at the date of each Ordinary General Meeting comprises 50% of the cash compensation due for the ending annual period and 50% for the commencing annual period.

Board Member	Cash Compensation		Shares allocated in 2004	Shares held at December 31, 2004 (1)	Options allocated in 2004 (2)	Options held at December 31, 2004 (3)
Peter C. Colombo	$	130,556	641	3,495	2,172	6,375
Georg Mehl		110,408	534	2,158	1,810	5,172
Terry G. Clarke(4)		128,944	427	1,563	1,448	3,993
Jürgen Förterer(5)		75,698	1,698	2,834	1,448	
Derrell J. Hendrix		80,590	427	427	1,448	4,249
George G.C. Parker		87,843	427	727(6)	1,448	4,249
Anton K. Schnyder		83,814	427	427	1,448	4,249

(1) Includes shares personally bought.

(2) Options vest immediately, have a term of 10.5 years and an exercise price to equal fair market value at the beginning of the period for which they were granted.

(3) An adjustment to the exercise price of all options outstanding prior to the 2004 rights offering will be made in early 2005 in order to account for the dilution of the value of the options as a result of the 2004 rights offering. The reduction in exercise price maintains the same Black-

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Scholes value of the option before and after the 2004 rights offering and does not reflect any other decrease in the share price.

(4) Includes $38,683 for additional professional services as a Board member and does not include Mr Clarke s compensation as Managing Director of £50,000 per month plus reimbursement of customary expenses.

(5) Resigned as Board member as of September 21, 2004 and includes pro rata equity compensation for the office term 2004/2005. Options held by Mr Förterer expired on December 29, 2004 due to this resignation.

(6) 427 shares and 600 ADSs.

Until the end of 2004 Converium had retained The RISConsulting Group LLC, of which Mr Hendrix is co-owner and chief executive officer, for certain consulting services. For 2004 Converium paid total fees of $250,000 to RISConsulting Group LLC. Mr Hendrix is also a manager and owner of approximately 57% of the outstanding share capital of RISC Ventures LLC, a Delaware-based limited liability company created to manage and operate companies engaged in commercializing technologies and intellectual properties developed by The RISConsulting Group LLC and its affiliates. In April 2004, Converium AG invested $2.0 million in RISC Ventures LLC for an approximate 17.5% ownership interest in that entity.

In 2004 neither Converium nor any of its subsidiaries granted loans, advance payments or credit lines to Board members, senior management or parties closely related to them. As of the end of December 2004 no such loans, advance payments or credit lines are outstanding. No shares and options are held by closely linked parties of the members of the Board.

Compensation of Senior Management

Managing Director remuneration

Terry G. Clarke received for his services as Managing Director a remuneration of £50,000 per month plus reimbursement for customary expenses. For 2004, Converium paid Terry G. Clarke GBP 190,909 ($349,822) related to this role. In February 2005, Terry G. Clarke assumed the role of Chief Executive Officer of Converium and at the same time the function of Managing Director was cancelled.

Global Executive Committee remuneration

The Remuneration Committee sets compensation levels for members of the Global Executive Committee and proposes to the Board the remuneration of the Chief Executive Officer.

Compensation for each member of the Global Executive Committee consists of a base salary and an incentive component based on Converium s and the individual s performance. The incentive component may vary highly from year to year depending on the achievement of the incentive award targets set annually by the Board of Directors.

The Remuneration Committee determines the awards paid out to the Global Executive Committee.

The performance-based incentive component consists of the annual incentive plan (AIP) and the long-term incentive plan (LTIP). A minimum of 25% of the performance-based compensation paid under the AIP is paid in the form of Converium shares. The LTIP is part of Converium s executive share ownership program and designed to align the interests of management closely with those of shareholders as well as to encourage stock ownership. 50% of the award paid out under the LTIP is delivered in Converium shares and the other 50% of the award is paid out in non-qualified options.

Total aggregate compensation of all officers of the Global Executive Committee in 2004 was $6.7 million. This total includes base salary and cash awards made under short- and long-term incentive plans paid during 2004, and the estimated value of other compensation-related items. This sum also includes the compensation of Gary Prestia who resigned on September 16, 2004. No severance payment other than the contractual salary and bonus entitlements were made to Gary Prestia.

Richard E. Smith, a former member of the Global Executive Committee, was available as consultant to Converium until December 31, 2004 in exchange for additional compensation of $1.5 million paid in early 2004. As of December 31, 2004, Converium has no other former members of the Global Executive Committee available as consultants to Converium.

Global Executive Committee members held shares and options at the end of December 2004. Some were awarded under Converium s AIP and LTIP, some converted to Converium shares and options from employee participation plans of Converium s former parent, Zurich Financial Services, and others bought in conjunction with the Initial Public Offering or otherwise. No options are held by closely linked parties. Global Executive Committee members participate in local pension plans. More information about Converium s employee participation and pension plans is contained in Notes 14 and 15 to our 2004 consolidated financial statements.

Employee Incentive and Benefit Plans

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An important component of our compensation program is the provision of additional employee benefits designed to encourage our employees to pursue our annual and longer-term objectives. These incentive plans are designed to attract, retain and motivate executives and staff to achieve performance-related targets and align the interests of our employees with those of our shareholders.

Accordingly, we have established incentive programs where benefits are linked to both corporate, financial and business as well as individual performance targets. Additionally, our long-term incentive plans include equity participation and stock option plans or their equivalent. These plans took effect at the time of the Formation Transactions. Their terms are summarized below.

Share Plan

Converium has adopted a standard stock option plan for our non-US employees, a standard stock purchase plan for our non-US employees, and an omnibus share plan for our US employees. These arrangements, which we refer to collectively as the Share Plan, establish the framework by which we grant awards to selected executives, employees and consultants of Converium and its subsidiaries. In addition, our subsidiaries are able to establish so-called sub-plans under the Share Plan in order to address local law and competitive practice concerns. However, we intend that the terms of these sub-plans will be substantially the same as the Share Plan.

The shares required under the plans are purchased in the open market.

Awards are granted at the discretion of our Remuneration Committee. Generally, the size of a participant s award is based on the level of responsibility and position, market conditions and the extent of the executive or employee s prior participation in the Converium plans described above.

New options granted have an exercise price equal to the market value of the shares or ADSs on date of grant, vest 25% immediately on the grant date and 25% each year thereafter and will have a 10.5 year term. For 2001 and 2002, most restricted shares granted vest in their entirety after six years, subject to acceleration after year three based on the achievement of certain performance objectives. Beginning in 2003, most restricted shares granted vest ratably over three years. Shares also vest upon retirement.

In connection with these plans, we incurred approximately $9.6 million of incentive compensation expense in 2004.

An adjustment to the exercise price of all options outstanding prior to the 2004 rights offering will be made in early 2005 in order to account for the dilution of the value of the options as a result of the 2004 rights offering. The reduction in exercise price maintains the same Black-Scholes value of the option before and after the 2004 rights offering and does not reflect any other decrease in the share price. The re-pricing of options will not have a material impact on the financial condition or results of operations.

Grants to Global Executive Committee

Global Executive Committee members held shares and options at the end of December 2004. Some were awarded under Converium s AIP and LTIP, some converted to Converium shares and options from employee participation plans of Converium s former parent, Zurich Financial Services, and others bought in conjunction with the Initial Public Offering or otherwise. No options are held by closely linked parties.

Options vested of

Global Executive Committee member	Shares granted in 2004 (1)	Shares held at December 31, 2004 (2)	Options granted in 2004 (3)	Options held at December 31, 2004	options held at December 31, 2004
Dirk Lohmann	96,566	105,994	176,688	432,755	263,949
Frank Schaar	27,176	10,049	53,617	129,998	80,170
Benjamin Gentsch	28,610	36,006	53,239	99,672	50,032
Martin Kauer	25,104		56,537	138,196	84,416
Gary Prestia(4)	3,903		9,103		
Hans Peter Boller	21,361	14,051	42,402	79,161	41,322
Christian Felderer	16,014	4,024	32,980	45,328	15,790
Christoph Ludemann	19,086	2,683	41,932	46,981	13,005

As a result of the 2004 rights offering this table is not comparable to the similar table issued for 2003 and does not allow any conclusion in respect of potential share sales by Global Executive Committee members.

(1) Shares granted in 2004 include shares awarded under the AIP and LTIP, which are subjected to various vesting schedules, and shares

purchased through the employee stock purchase plan.

(2) Includes only vested shares (includes shares held by closely linked parties). A majority of shares granted in 2004 vest ratably over three years. Thus certain shares granted in 2004 or prior are not indicated to be held by Global Executive Committee members at December 31, 2004.

(3) Options have an exercise price equal to the market value of the shares or ADSs on date of grant, vest 25% immediately on the grant date and 25% each year thereafter, and have a 10.5-year term.

(4) Resigned on September 16, 2004.

As of the date of this 20-F filing, none of the members of Global Executive Committee beneficially owns more than 1% of our shares.

Annual Incentive Plan

We have also established annual incentive plans, whose primary purpose is to provide direct annual financial incentive to employees who achieve corporate performance goals established under our annual operating plan. Our subsidiaries are able to establish separate plans to address local law and competitive practice concerns, but we intend that the terms will be substantially the same and refer to these plans collectively as the Annual Incentive Plan . Employees are eligible for target awards under the Annual Incentive Plan ranging from 5% to 100% of base salary. The size of the target award is determined by the employee s position and competitive data for similar positions at peer companies. We set performance goals for participating employees and, in keeping with our performance-based philosophy, the resulting awards decrease or increase substantially if our actual corporate performance fails to meet or exceeds target levels. The awards may range from below or above the target amounts. The performance goals include both financial and non-financial measures.

Participants in our Annual Incentive Plan are permitted to defer a portion of their bonus into restricted shares or units under our Annual Incentive Deferral Plan . Unless otherwise determined by Converium, employees who determine to do so will receive a 25% premium, paid in restricted shares or bookkeeping units representing shares, on the amount deferred that will vest in their entirety in three years. We have reserved 400,000 shares for issuance of restricted shares under this plan.

Employee Stock Purchase Plan

Converium adopted an Employee Stock Purchase Plan (the ESPP) on January 1, 2002. The ESPP has two offering periods beginning January 1 and July 1 of each year. Substantially all employees meeting specified service requirements are eligible to participate in the ESPP. Participants may contribute between 1% and 15% of base salary towards the purchase of Converium Holding AG shares, up to certain limits. Employees who enroll in the ESPP purchase Converium Holding AG shares at 85% of the lower of the stock s fair market value on the first or last day of the offering period.

Employee retention plan

In September 2004, Converium adopted a retention plan for certain of its key employees in order to ensure the successful continuation of business operations at Converium AG and Converium Rückversicherung (Deutschland) AG and the orderly run-off of its North American operations. The retention bonus is paid to the eligible employees in cash in two or three equal installments in amounts up to the equivalent of such employees base salary. The last installment becomes due on January 31, 2006. The estimated cost of the program is approximately $31.5 million, which will be expensed over the period October 1, 2004 through January 31, 2006. For the year ended December 31, 2004,

$15.7 million has been expensed based on the terms of this plan. In addition, severance amounts of $6.0 million will be required to be paid to certain CRNA employees in the event of a change of control or certain other events.

Long Term Incentive Plan (LTIP)

The LTIP is designed to align the interests of management closely with those of shareholders, and to encourage share ownership. LTIP awards are made to senior employees, and are awarded in a combination of 50% Converium shares and 50% options to purchase Converium shares. Shares vest ratably over three years. Options are issued with an exercise price equal to the market value of the shares or ADSs on the grant date. 25% of the options vest immediately on the grant date, and 25% vest each year thereafter or upon retirement. The options expire 10.5 years after the date of grant.

Effective in 2005, CRNA has established a long-term incentive plan for its senior employees needed for the run-off. The CRNA LTIP is based on CRNA s performance against target plan statutory surplus levels over a 5-year period, 2005 through 2009. Awards are payable to participants in cash, in early 2010, after performance can be determined.

Executive IPO Option Plan

In connection with the Transactions, Converium granted certain executives options to purchase shares in Converium Holding

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AG (the Executive IPO Option Plan). Under the Executive IPO Option Plan, 420,000 options to purchase shares in Converium Holding AG were awarded. The exercise prices were equal to the market value of the shares or ADSs on the grant date. Executive IPO Options are now fully vested and expire 10.5 years after the date of grant.

For further information on our share-based incentive plans, see Note 15 to our 2004 consolidated financial statements.

C. BOARD PRACTICES

Board Committees

The Board of Directors has four Committees, which meet in conjunction with or prior to Board meetings, as necessary, and regularly report and submit proposals to the Board of Directors. Each Committee has a Chairman who directs the meetings according to a set agenda, and a secretary, currently the General Legal Counsel.

The Nomination Committee

The Nomination Committee comprises at least three Board members and currently comprises four. It appoints and dismisses the Head of Internal Audit and outside directors of Converium companies, unless such appointment or dismissal is required by regulatory law or order, in which case such appointment or dismissal lies in the responsibility of the CEO. The Committee proposes to the Board of Directors the appointment of Board members and the members of its Committees and their Chairmen, the Chairman and Vice Chairman of the Board of Directors and the members of the Global Executive Committee. It defines and implements procedures for the annual self-evaluation of the Board of Directors and the Committees performance; for the annual statement of independence of the Board of Directors and disclosure of any conflict of interests and any agreements concluded with Converium or any of its subsidiaries; and for the orientation program for new Board members. Standing invitees are the CEO and the Chief Human Resources Officer. In 2004 the Nomination Committee held four meetings.

The Remuneration Committee

The Remuneration Committee comprises at least three Board members and currently comprises four. It sets the compensation levels for the Global Executive Committee (except the CEO) and the Head of Internal Audit, and proposes to the Board of Directors the overall remuneration for the CEO, for each of the members of the Board of Directors and the Managing Director, as well as the principles of compensation, of incentive schemes, and bonus payments to employees. Standing invitees are the CEO and the Chief Human Resources Officer. In 2004 the Remuneration Committee held five meetings.

The Finance Committee

The Finance Committee comprises at least three Board members and currently comprises three. It approves external providers of asset management services and capital increases in subsidiaries between $5 million and $20 million. It submits to the Board for its approval the accounting standards framework for Converium, the annual budget and financial plans, investment and treasury policy, solvency and liquidity planning, strategic asset allocation, tax planning, the allocation of expenses to be charged to the Corporate Center, capital increases and the use of contingent or authorized capital, year-end results and dividend policy, as well as exchange listings and de-listings. Standing invitees are the CEO, the CFO and the Chief Investment Officer. In 2004 the Finance Committee held four meetings.

The Audit Committee

The Audit Committee comprises the Chairman of the Board of Directors and the Chairmen of the Finance, Nomination and Remuneration Committees. In connection with his appointment to the position of Managing Director, Terry G. Clarke resigned from the Audit Committee and also resigned as the Chairman of the Nomination Committee. The Audit Committee currently only comprises three members because the Chairman of the Remuneration and Nomination Committee is the same person. Only independent and financial literate directors are eligible to serve on the Audit Committee. In order to qualify as independent, a member may not accept any consulting, advisory or compensatory fee from the company. In addition, an Audit Committee member may not be a person affiliated with the company or any of its subsidiaries. The Audit Committee reviews and approves the quarterly financial statements, except year-end results; approves and supervises the implementation of Converium s Audit Charter, including the review of internal control systems and Converium s risk management and auditing processes; reviews and assesses significant accounting and reporting issues; oversees external and internal auditors and the external and internal audit process; assesses the accuracy of the annual financial statements and determines that appropriate accounting principles have been applied; and liaises with Converium s Risk Management functions to identify Converium s areas of greatest risk and to assess management s role in mitigating the risks. Standing invitees are the CEO, the Managing Director, the Head of Internal Audit and the external auditor. In 2004 the Audit Committee held seven meetings.

The Audit Committee is supported in its supervisory task by Internal Audit, which reports directly to the Audit Committee.

Internal Audit is committed to the Standards for Professional Practice of Internal Auditing set out by the Institute of Internal Auditors. The goals of the Internal Audit department, which were formally approved by the Audit Committee, are as follows:

- to evaluate the reliability and controls of the financial and risk reporting systems processes and to provide reasonable assurance that material errors and irregularities will be detected on a timely basis;
- to evaluate the integrity of financial information;
- to evaluate compliance with policies, plans, procedures, regulations, laws and contracts;
- to safeguard Converium s assets;
- to evaluate and promote efficient use of resources; and
- to coordinate and manage, on behalf of the Audit Committee, the relationships with the public accounting firms working for Converium.

The Internal Audit department currently consists of nine persons and covers all operations of Converium worldwide. Internal Audit has unrestricted access to all relevant information and documents.

The areas of responsibility between the Board of Directors, the Managing Director and the Global Executive Committee are defined in the Organizational By-laws of Converium Holding AG, which are available on the internet at www.converium.com.

The Board of Directors has determined that a member of our Audit Committee, George G.C. Parker, is an audit committee financial expert and is independent under the rules of the New York Stock Exchange.

Indemnification of Officers and Directors

We maintain customary directors and officers insurance for our directors and officers.

In addition, we have entered into agreements with each of our directors pursuant to which we have agreed to indemnify each such director for legal expenses incurred in conjunction with his or her professional liability to shareholders, bondholders, creditors or others caused by actions or omissions by such person in his or her capacity as a director, except where such professional liability was caused by the intent or negligence of such director and provided that (i) such indemnification is in our best interest considering the facts and circumstances and (ii) such legal expenses are not covered by our existing Directors and Officers Liability Insurance or are otherwise reimbursable to such director by the plaintiff.

D. EMPLOYEES

As of December 31, 2004, Converium employed 771 people globally, including 369 at our offices in Switzerland, 138 at our offices in the United States, 169 at our offices in Germany, 21 in other European countries, 33 in the Asia-Pacific region and 41 in other regions.

A relatively small number of our employees are represented by unions. We have not experienced any material work stoppages in recent years and we believe that our relations with our employees are excellent.

The following is the distribution of the persons employed.

	As of May 31, 2005*	As of December 31,		
		2004	2003	2002
Number of employees	676	771	847	813
Breakdown by geographic location				
Switzerland	331	369	332	274
United States	105	138	231	237
Germany	165	169	160	148
Asia-Pacific region	29	33	31	29

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	As of May 31, 2005*	As of December 31, 2004	2003	2002
Other regions	46	62	59	52
Breakdown by main category of activity				
Underwriting	215	257	290	274
Finance	180	212	200	176
Actuarial	64	67	77	69
Other	217	235	246	221

* As a result of ratings downgrades and the placement of CRNA into orderly run-off, during 2005 we are in the process of downsizing our organization to adjust our cost base to the reduced volume of business. The reduction in headcount is reflected above.

E. SHARE OWNERSHIP

As of the date of this annual report, none of the members of our Board of Directors or Global Executive Committee beneficially owns more than 1% of our shares. In addition, none of the members of our Board of Directors or Global Executive Committee have an ownership interest in a company that is a major client or broker of Converium. For an explanation of shares and options, see Item 6. Directors, Senior Management and Employees B. Compensation .

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

As of May 31, 2005, 75,642,207 shares were registered in our share register. These shares were owned by 8,104 shareholders, of which 7,429 were private individuals holding 11.27% of total outstanding shares, 207 were foundations and pension funds holding 5.52% of total outstanding shares and 468 were other legal entities holding 34.78% of total outstanding shares.

As of May 31, 2005, 26 holders with registered addresses in the United States, including nominees with registered addresses in the United States, held 15,153,604 of our registered shares and 3,907 holders with registered addresses in the United States, including nominees with registered addresses in the United States, held 10,856,842 ADSs. These holdings represented 13.70% of the total number of shares outstanding as of May 31, 2005. Brokers and other nominees hold certain of our registered shares and ADSs. In addition, some holders of our registered shares have not or may not register their holdings. Consequently, the above figures may not state the actual number of US beneficial holders or the number of registered shares or ADSs beneficially held by persons in the United States.

As of the date of this annual report, and in accordance with the notification requirements as set by the SWX Swiss Stock Exchange, the following are direct or indirect owners of 5% or more of our outstanding shares:

Odey Asset Management LLP, London, United Kingdom: 11.2% (date of notification March 4, 2005). Odey Asset Management LLP acts as the investment manager for several funds.

Dodge & Cox, San Francisco, California, United States: 5.04% (date of notification June 22, 2005). Dodge & Cox provides investment management to institutions and individuals through separately managed portfolios and mutual funds.

Our major shareholders hold the same voting rights as all other shareholders.

B. RELATED PARTY TRANSACTIONS

There were no unpaid loans, including guarantee commitments, granted to the Converium directors and members of the Converium Global Executive Committee as of December 31, 2004.

GAUM

In 2003, Converium finalized an agreement to acquire a 25% stake in GAUM, a leading international commercial and general aviation underwriting agency, as a part of its strategy to strengthen its long-term position in the aviation and space line of business. At that same time, Converium as a shareholder provided a loan to GAUM in the amount of £12.6 million ($19.8 million). In addition, Converium entered into a pool members agreement under which it became a member of the aviation and aerospace pools run by GAUM and its subsidiary, Associated Aviation Underwriters Inc.

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In February 2004, Converium AG finalized a Sale and Purchase Agreement with Royal and Sun Alliance (RSA) to acquire a further 5.1% stake in GAUM, which increased its overall stake to 30.1%. Included within the Sale and Purchase Agreement is a requirement for Converium AG to replace an existing loan from RSA in the amount of £2.5 million ($4.5 million). For the 2004 underwriting year, Converium has committed 27.25% of the overall pool s capacity of the aviation risks managed by GAUM, compared to 25% for the 2003 underwriting year. Gross premiums assumed through the pools managed by GAUM were $289.0 million, $266.4 million and $64.4 million for 2004, 2003 and 2002, respectively.

See Item 3. Key information D. Risk factors Ratings changes and Notes 3, 8 and 18 to our 2004 consolidated financial statements for additional information on GAUM.

MDU

Converium entered into a strategic alliance with the MDU that resulted in a 49.9% participation in the Medical Defence Union Services Ltd (MDUSL). MDUSL distributes medical malpractice insurance policies to the members of the MDU. As a result of the initial FSA approval in respect of general liability business, insurance policies underwritten by Converium Insurance (UK) Ltd were issued to members of MDU beginning July 1, 2003. These insurance policies replaced policies formerly issued in the United Kingdom by Zurich Financial Service s entities, the majority of which were reinsured by Converium. Gross premiums written from MDU were $170.9 million, $137.3 million and $140.0 million for 2004, 2003 and 2002, respectively.

The MDU Shareholders Agreement provides that if Converium s credit rating is lowered by more than seven points, from its initial A+ rating, by a recognized credit ratings agency, MDU may serve it with a Termination Notice. Within sixty days after service of such termination notice, MDU has the right to purchase Converium s 49.9% shareholding in MDU Services Ltd. at a price to be mutually agreed upon by the parties, or to be determined by a valuation expert. The recent ratings downgrades have not triggered the termination provisions of the MDU Shareholders Agreement. See Notes 8 and 18 to our 2004 consolidated financial statements for additional information on MDU.

SATEC

Converium has a 48% participation in SATEC, a leading global space-underwriting agency based in Venice, Italy. Additionally, in 2002 Converium entered into a usufruct agreement with each of the two other owners of SATEC regarding some of their participation rights. Gross premiums assumed through the pool managed by SATEC were $10.2 million, $5.9 million and $5.0 million for 2004, 2003 and 2002, respectively. Profit distributions paid from SATEC to Converium with regards to the participation and the usufruct were $0.9 million, $0.8 million and nil for 2004, 2003 and 2002, respectively. In 2004, we have recorded an impairment charge with regard to the usufruct agreement in the amount of $2.4 million.

RISC Ventures

Until the end of 2004 Converium has retained The RISConsulting Group LLC for certain consulting services, of which Derrell J. Hendrix, a member of the Converium AG Board of Directors, is Manager and Chief Executive Officer. In addition, Derrell J. Hendrix is a manager and owner of approximately 57% of the outstanding share capital of RISC Ventures LLC, a Delaware-based limited liability company created to manage and operate companies engaged in commercializing technologies and intellectual properties developed by The RISConsulting Group LLC and its affiliates. In April 2004, Converium AG invested $2.0 million in RISC Ventures LLC for an approximate 17.5% ownership interest in the entity. For 2004, Converium paid total fees of $250,000 to The RISConsulting Group LLC.

Managing Director

In order to enhance the effectiveness of strategic and operational decision-making and greater collaboration between the Board of Directors and the Global Executive Committee, Converium established the position of Managing Director. On September 10, 2004, Terry G. Clarke was appointed as Converium s new Managing Director. The Managing Director serves on the Board and has oversight over the day-to-day management of Converium s business. The Managing Director attends all meetings of the Global Executive Committee and has veto power over decisions taken by the Global Executive Committee. In addition to the Managing Director s regular compensation as a member of the Board of Directors, Terry G. Clarke received a remuneration of GBP50,000 ($91,620) per month plus reimbursement for customary expenses. For 2004, Converium paid Terry G. Clarke GBP190,909 ($349,822) related to this role. In February 2005, Terry G. Clarke assumed the role of Chief Executive Officer of Converium and at the same time the role of Managing Director was cancelled.

C. INTERESTS OF EXPERTS AND COUNSEL

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Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Financial Statements

See our 2004 consolidated financial statements beginning on page F-1.

Legal Proceedings

Converium Holding AG and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of its business operations as a reinsurer. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of management, these matters are not material to Converium s financial position, with the exception of the matters described below:

Superior National Matters

On January 6 and January 7, 2005, CRNA and CINA, respectively, entered into a Settlement Agreement and Mutual Release (the Settlement Agreement) with the California Insurance Commissioner (the Commissioner) relating to the January 16, 2002 complaint that the Commissioner filed against a subsidiary of ZFS, Centre Insurance Company (CIC) and affiliates, as well as CRNA and CINA (see Note 26 to our 2004 consolidated financial statements). The Commissioner had initiated this action in Superior Court of the State of California, County of Los Angeles, on behalf of the Superior National Insurance Companies in Liquidation (SNICL).

The complaint alleged several counts, including voidable preferences and fraudulent transfers, the recovery of transfers totaling $202.9 million, damages for breach of contract in the amount of $59.8 million, additional damages in an amount to be proved at trial, and punitive damages. The overwhelming bulk of the damages sought appeared to arise out of CIC transactions, not CRNA or CINA transactions. As part of the transactions which effectively spun-off CRNA and CINA from ZFS, ZFS agreed to indemnify CRNA and CINA for liabilities arising out of or related to the assets not assumed by or transferred to CRNA and CINA in the separation from ZFS. The principal claim brought against CRNA appeared to arise from CRNA s commutation of certain reinsurance obligations. In that connection, however, while the complaint did in fact reference the commutation, the payment involved was a commutation payment made by CRNA, not to CRNA. As best as could be discerned, the liquidator was apparently claiming that the amount paid by CRNA was inadequate consideration for the reinsurance obligations commuted and thus this commutation constituted a fraudulent transfer. All the claims, though, were never well defined and no discovery was ever undertaken to better elucidate them.

Neither CRNA nor CINA shall pay any amounts whatsoever in exchange for the full and final discharge of liabilities, as set forth in the Settlement Agreement, that the Commissioner has granted to both companies. Instead, CIC shall be making the full payment that will provide the complete release to CRNA and CINA, as well as all other parties in the complaint. At a hearing on February 17, 2005, the Settlement Agreement was approved by the court presiding over the liquidation of the estates of SNICL. On April 18, 2005 the settlement was deemed final and on or about May 18, 2005 payments required of parties under the Settlement Agreement (which did not include CRNA or CINA), were made. A dismissal of the case was entered by the court on June 1, 2005.

U.S. Life Insurance Company arbitration

The arbitration initiated on November 29, 1999 by U.S. Life Insurance Company (U.S. Life) against Superior National Insurance Company in Liquidation (SNICIL), CINA and CIC, which was previously reported, has been settled as between U.S. Life and CINA. The settlement in January 2005 followed a December 2004 decision of the arbitration panel to reject U.S. Life s claim for rescission and to instead reform the reinsurance treaty provided by U.S. Life to a 90% quota share as opposed to a 100% quota share. Life and CINA agreed to settle the matter with a full and final commutation of the treaty in exchange for a commutation payment by U.S. Life (see Note 26 to our 2004 consolidated financial statements).

All American Life Insurance Company arbitration

The arbitration initiated on December 23, 2002 by CRNA and CINA against All American Life Insurance Company (All American), which was previously reported, has been settled. In May 2004, the parties to the dispute, which concerned a

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reinsurance treaty provided by All American, agreed to settle the matter with a full and final commutation of the treaty in exchange for a commutation payment by All American. Incurred losses of $9.2 million were recorded in 2004 to reflect this commutation.

Continental Casualty Company arbitration

In December 2002, Continental Casualty Company (Continental) and CRNA each demanded arbitration from the other to resolve a dispute arising from a retrocessional contract pursuant to which Continental reinsured CRNA for 50% of certain accident and health exposures CRNA assumed from a third-party insurer. The dispute arose in October 2002 when Continental asserted that the third-party insurer had violated the reinsurance agreement with CRNA in such a way that might give rise to defenses under the reinsurance agreement.

Effective June 2004, Continental and CRNA entered into an Assignment of Rights, Limited Indemnity and Cooperation Agreement (the Assignment Agreement) pursuant to which the parties agreed to withdraw their respective demands for arbitration with prejudice. The Assignment Agreement enables Continental, with the cooperation of CRNA, to assert its defenses directly against the insurer and indemnifies CRNA for monetary liability or expenses it incurs resulting from CRNA s cooperation or Continental s assertion of its defenses. Following the signing of the Assignment Agreement, Continental, CRNA and the third-party insurer have entered into a series of commutation agreements related to the exposures. These commutations became effective in April 2005 following the approval of the liquidation court governing the insurer.

Great American Insurance Company arbitration

The arbitration initiated on July 30, 2004 by Great American Insurance Company (GAIC) against CRNA, challenging CRNA s right to invoke a special termination or settlement clause under certain Automobile Residual Value Proportional Reinsurance Agreements (the Reinsurance Agreements) with GAIC and seeking resolution of a billing dispute related to the Reinsurance Agreements, which was previously reported, has been settled. In December 2004, the parties to the dispute agreed to settle the matter with a full and final commutation of the Reinsurance Agreements in exchange for a commutation payment by CRNA.

Canada Life

On December 21, 2001, The Canada Life Assurance Company, Toronto (Canada Life), brought an action against Converium Rückversicherung (Deutschland) AG (Converium Germany) in the US District Court of the Southern District of New York. Canada Life alleged that Converium Germany breached certain quota share retrocession agreements with Canada Life by failing to indemnify its full percentage of Canada Life s September 11th losses and by failing to post an $82.4 million letter of credit for its liability pursuant to the ISA facilities underlying agreements. Converium Germany is disputing this claim on the grounds that its liability under the pertinent contracts is limited and is also raising other contracts defenses. In its decision of April 11, 2002, the US District Court of the Southern District of New York dismissed Canada Life s action, ruling that The Air Transportation Safety and System Stabilization Act, which Canada Life claimed to give the court jurisdiction over the subject matter, is not applicable. The court ruled that the Act applies broadly to the actions filed by individual victims of the September 11th attacks but does not apply to disputes among reinsurers. The Second Circuit Court of Appeal affirmed the dismissal. As a result of the decision of the US District Court of the Southern District of New York, Converium Germany sent Canada Life a request to arbitrate. Following the organizational meeting of the arbitrators on October 8, 2003, the discovery and deposition began. The hearing is expected to take place in the second quarter of 2005. Meanwhile, the arbitration panel ordered Converium Germany to post pre-award security in the form of a Letter of Credit in the amount of $66.0 million, which Converium Germany has complied with.

Converium Germany has fully reserved this claim. However, arrangements entered into with Zurich Financial Services provide for the claim to be covered by the agreed-to cap for September 11th related losses provided to us by Zurich Financial Services in conjunction with Converium s Initial Public Offering.

Review of Certain of our Reinsurance Transactions

Ongoing investigations of the insurance and reinsurance industry and certain insurance and reinsurance products are being conducted by U.S. regulators and governmental authorities, including the Securities and Exchange Commission and the New York Attorney General.

On March 8, 2005, MBIA Inc. (MBIA) issued a press release stating that MBIA s audit committee undertook an investigation to determine whether there was an oral agreement with MBIA under which MBIA would replace Axa Re Finance as a reinsurer to CRNA by no later than October 2005. The press release stated that it appears likely that such an agreement or understanding with Axa Re Finance was made in 1998. Thereafter, on April 19, 2005, CRNA received subpoenas from the U.S. Securities and Exchange Commission and the Office of the New York Attorney General seeking documents related to certain transactions between CRNA and MBIA.

In view of the industry investigations and the events relating to MBIA described above, we have engaged counsel to assist us in a review and analysis of certain of our reinsurance transactions, including the MBIA transactions. We are fully cooperating with the governmental authorities in connection with their investigation. The impact of our ongoing review and analysis and the ongoing regulatory investigations on us is uncertain, and there can be no assurance as to whether or not the outcome of such investigations will have a material impact on Converium.

Class action lawsuits

Commencing on October 4, 2004, seven securities class action lawsuits have been filed against Converium and certain of its officers and directors. The complaints are as follows: *Meyer v. Converium Holding AG, et al.,* 04 CV 07897, which names Converium Holding AG, Dirk Lohmann and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and July 20, 2004; *Criden v. Converium Holding AG, et al.,* 04 CV 8060, which names Converium Holding AG, Dirk Lohmann and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and July 20, 2004; *Taylor v. Converium Holding AG, et al.,* 04 CV 8038, which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, Martin Kauer, Richard E. Smith and Frank Schaar as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004; *Jakob v. Converium Holding AG, et al.,* which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, Martin Kauer, Richard E. Smith and Frank Schaar as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004; *Maxfield v. Converium Holding AG, et al.,* 04-CV-08994, which names Converium Holding AG, Peter C. Colombo, Martin Kauer and Dirk Lohmann, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and September 2, 2004; *Bassin v. Converium Holding AG, et al.,* 04 CV 08295, which names Converium Holding AG, Peter C. Colombo, Martin Kauer and Dirk Lohmann as defendants, and is purportedly brought as a class action on behalf of purchasers of our securities between December 11, 2001 and September 2, 2004 (see Note 26 to our 2004 consolidated financial statements); and *Rubin v. Converium Holding AG, et al.,* Index No. 04-117332, which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004. On January 21, 2005, *Bassin v. Converium Holding AG, et al., 04 CV 08295,* was voluntarily dismissed, without prejudice, by the plaintiff in that action.

The first five complaints, each of which was filed in the Southern District of New York, assert claims for violations of Section 10(b), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and allege, among other things, that, contrary to representations, we did not establish adequate loss reserves to cover claims by policyholders; that our announced reserve increases prior to July 20, 2004 were insufficient; and that, as a result of the foregoing, our earnings and assets were materially overstated. Further, certain of the complaints allege violations of Securities and Exchange Commission reporting obligations and generally accepted accounting principles. *Rubin v. Converium Holding AG, et al.,* Index No. 04-117332, filed in New York State Court, makes similar claims directed at the Company s Registration Statement and Prospectus issued in connection with the IPO under sections 11, 12, and 15 of the Securities Act of 1933. Converium, among other defendants, removed *Rubin* to the Southern District of New York. Plaintiffs have filed a motion to remand. In each one of these cases, plaintiffs are seeking unspecified compensatory damages, attorney s fees and expert fees. It is possible that additional suits alleging similar claims may be filed in the future.

We intend to defend the remaining lawsuits vigorously. The actions are in the preliminary phases; thus, the timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on our financial condition, results of operations and cash flows.

US Securities and Exchange Commission Trading Inquiry

In August 2004, CRNA received a request for voluntary production of documents and information from the enforcement staff of the US Securities and Exchange Commission (the Commission). As a result of that request, CRNA understands that the Commission is conducting an informal inquiry to determine whether there have been violations of the US federal securities laws in connection with transactions in Converium s securities by certain persons prior to Converium s announcement on July 20, 2004 that its second quarter 2004 earnings would fall short of expectations due to higher than modeled US casualty loss emergence primarily related to the underwriting years 1997 to 2001.

CRNA voluntarily responded to the Commission s request, and will continue to cooperate with the Commission in the event of any follow-up requests for information.

Investigation by the Swiss Federal Banking Commission

In November 2004, the Federal Banking Commission requested certain information in conjunction with the sequence of events in conjunction with Converium s announcement on July 20, 2004 that its second quarter 2004 earnings would fall short of expectations due to higher than modeled US casualty loss emergence primarily related to the underwriting years 1997 to 2001. Converium is fully complying with the respective requests by providing all relevant information to the Commission.

Dividends and Dividend Policy

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The Ordinary General Meeting of shareholders held in Zug on April 12, 2005 approved the proposal of the Board of Directors to allocate the net loss for the 2004 fiscal year in the amount of CHF 1,518,291,374 to the free reserves and not to pay out a dividend.

Our dividend policy in future periods will depend on a number of factors including our results of operations, our financial condition, our capital and cash requirements, general business conditions, legal, contractual and regulatory restrictions regarding the payment of dividends by us and other factors. Holders of shares and ADSs with respect to the underlying shares are entitled to receive payment in full of any dividends declared.

As a holding company, we are dependent on dividends, and interests from our subsidiaries to pay cash dividends. The payment of dividends by our subsidiaries to their parent companies is restricted by applicable laws and regulations. To the extent our subsidiaries are restricted from paying dividends to Converium Holding AG, we may be unable to pay dividends to our shareholders. For further information on the restrictions on our ability to pay dividends, see Note 16 to our 2004 consolidated financial statements. In addition to the dividend restrictions stated in Note 16 to our 2004 consolidated financial statements, CRNA is required to obtain approval from the Connecticut Department of Insurance prior to making any dividend payments.

Under Swiss law, we may only pay dividends if we have either sufficient profits available for distribution or if we have sufficient free reserves pursuant to our statutory (non-consolidated) balance sheet and the provisions of Swiss law to allow for distributions from that reserve.

As long as the general reserves amount to less than 20% of our nominal share capital, Swiss law requires at least 5% of our annual net profits to be retained as general reserves. Any net profits remaining after this retention are eligible to be distributed as dividends, subject to approval by our shareholders at a shareholders meeting, and our auditors must confirm that a dividend proposal by our Board of Directors complies with our Articles of Incorporation and Swiss law.

B. SIGNIFICANT CHANGES

Except as otherwise disclosed in this annual report, there has been no significant change in our financial position since December 31, 2004.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Market Price Information

Trading on the SWX Swiss Exchange

The table below presents the highest and lowest reported sale price for our registered shares on the SWX Swiss Exchange for the periods indicated, expressed in Swiss francs. On June 24, 2005, the latest practicable day before the printing of this annual report, the last reported sale price of our registered shares on the SWX Swiss Exchange was CHF 10.35 per registered share.

	High CHF	Low CHF
Calendar Year 2001 (from December 11, 2001)	82.10	79.00

Calendar Year 2002	89.75	54.85
Calendar Year 2003	74.50	49.60
First Quarter	69.85	49.60
Second Quarter	74.50	55.45
Third Quarter	67.00	59.10
Fourth Quarter	69.10	60.05
Calendar Year 2004 (1)	73.75	7.42
First Quarter	73.75	60.25
Second Quarter	68.95	60.50
Third Quarter	65.05	16.25
Fourth Quarter (1)	17.05	7.42
Calendar Year 2005 (until May 31, 2005)	12.50	9.00
First Quarter	12.20	10.05
Last 6 Months		
December 2004	10.90	9.77
January 2005	11.50	10.05
February 2005	12.20	10.60
March 2005	12.00	10.20
April 2005	12.50	10.30
May 2005	10.90	9.00

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(1) Includes the effect of the 2004 rights offering.

Trading on the New York Stock Exchange

The table below presents the highest and lowest reported sale price for our ADSs on the New York Stock Exchange. On June 24, 2005, the latest practicable day before the printing of this annual report, the last reported sale price of our ADSs on the New York Stock Exchange was $4.09 per ADS.

	High $	Low $
Calendar Year 2001 (from December 11, 2001)	27.40	23.02
Calendar Year 2002	28.52	18.30
First Quarter	26.50	21.77
Second Quarter	28.52	24.25
Third Quarter	26.05	18.96
Fourth Quarter	24.10	18.30
Calendar Year 2003	26.63	19.15
First Quarter	25.15	19.15
Second Quarter	26.42	20.52
Third Quarter	24.20	21.55
Fourth Quarter	26.63	22.77
Calendar Year 2004	29.57	3.15
First Quarter	29.57	23.55
Second Quarter	26.80	23.70
Third Quarter	26.04	6.76
Fourth Quarter	6.85	3.15
Calendar Year 2005 (until May 31, 2005)	5.20	3.59
First Quarter	5.18	4.44
Last 6 Months		
December 2004	4.87	4.29
January 2005	5.06	4.44
February 2005	5.08	4.50
March 2005	5.18	4.50
April 2005	5.20	4.37
May 2005	4.59	3.59

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Converium registered shares have a listing on the SWX Swiss Exchange under the symbol CHRN . Converium ADSs are listed in the United States on the New York Stock Exchange, or NYSE under the symbol CHR . The NYSE is the only trading market for our ADSs in the United States. Each of our ADSs represents one-half of one of our registered shares. We expect that the SWX Swiss Exchange will remain the principal trading market for our registered shares.

The 8.25% Guaranteed Subordinated Notes due 2032 are securities of Converium Finance S.A., a société anonyme incorporated under the laws of Luxembourg, and a wholly-owned subsidiary of Converium AG, and have a listing under the symbol CHF on the New York Stock Exchange.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF INCORPORATION

See Description of Shares and Share Capital in the Registration Statement on Form F-1, file number 333-14106, filed with the SEC under the Securities Act of 1933 on December 10, 2001. The Articles of Incorporation were amended in 2004 to reflect the following changes to our issued, authorized and conditional share capital.

Issued Share Capital

At the Extraordinary General Meeting on September 28, 2004 the shareholders resolved to reduce the share capital of the company from CHF 400,062,170 by 200,031,085 to CHF 200,031,085 by reducing the nominal value of CHF 10 per share by CHF 5 to CHF 5 per share and to increase the share capital by CHF 533,416,225 through the issuance of 106,683,245 fully paid registered shares with a nominal value of CHF 5 each at an issue price of CHF 5 per share

Authorized Share Capital

At the Annual General Meeting on April 27, 2004, the shareholders resolved to create authorized share capital and amended the Articles of Incorporation, which provides that the Board of Directors is authorized, on or before April 27, 2006, to increase the share capital by the issuance of up to a maximum of four million fully paid-up registered shares each of CHF 10 nominal value amounting to a maximum of CHF 40 million.

Subsequent to the reduction of the nominal value of each of Converium s shares from CHF 10 to CHF 5 as a result of the resolution by the shareholders at the EGM of September 28, 2004, Converium s authorized capital is now CHF 20,000,000 with the Board being authorized to issue up to four million shares.

Conditional Share Capital

At the Annual General Meeting on April 27, 2004, Converium Holding AG amended its Articles of Incorporation to state that the previously available conditional share capital for use in conjunction with the employee participation plans has been replaced by a conditional share capital for option rights and/or conversion rights for four million shares or CHF 40,000,000 in nominal share capital.

Subsequent to the reduction of the nominal value of each of Converium s shares as a result of the resolution by the shareholders at the EGM of September 28, 2004, its conditional capital is now four million shares of CHF 5 nominal value each, amounting to a maximum of CHF 20,000,000 pursuant to which up to four million shares can be issued upon exercise of conversion or option rights allotted in connection with bonds and other financial market instruments.

Information Policy

In conjunction with the invitation for the Annual General Meeting, all registered shareholders are provided with an invitation and a summary report on Converium s financial results for the current financial year. Upon request, a full annual report with the financial statements can be ordered. Additionally, all ADS holders, upon request, receive a copy of the current annual report including financial statements, through their brokers. Furthermore, all financial and other information released by Converium is accessible on Converium s web page at www.converium.com as well as through the SEC.

Statutory Quorums

According to Article 13 of Converium s Articles of Incorporation, resolutions at the General Meetings of Shareholders are taken with the majority of votes cast.

In accordance with the provisions of Swiss law (Article 704 Swiss Code of Obligations) Converium s Articles of Incorporation require two thirds of votes to be represented and the absolute majority of the nominal values of the shares represented is required for resolution on the following:

an alteration of the purpose of Converium

the creation of super-voting shares

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- restrictions on the transfer of registered shares and the removal of such restrictions as well as restrictions to vote and the removal of such restrictions
- an authorized or contingent increase of share capital
- an increase of share capital by conversion of capital surplus, by contribution in kind or for the purpose of an acquisition of assets and the grant of special rights
- a restriction or exclusion of the subscription right or advance subscription right
- a change of Converium s registered office
- the dissolution of Converium without liquidation

Convocation of the General Meeting of the Shareholders

According to Article 9 of Converium s Articles of Incorporation, the General Meetings are convened at least 20 days prior to the meetings. This is in accordance with the provision of Swiss company law (Article 700 Code of Obligations).

Article 10 of the Articles of Incorporation provides for shareholders whose combined share holdings represent an aggregate nominal amount of at least CHF one million to be able to demand an item to be included on the agenda of a General Meeting. Such demand must be made at least 45 days prior to the meeting. This is in accordance with the provision of Swiss company law (Article 699 paragraph 2 Code of Obligations).

Registration in the Share Register

The date by which holders of registered shares can be registered in Converium s share register in connection with attending the General Meeting of shareholders is set by the Board of Directors in its preparatory Board Meeting prior to the General Meeting.

For 2004, the date by which a shareholder had to be registered in the share register was April 4, 2005 in order to be invited to the Annual General Meeting of April 12, 2005, at the Casino in Zug.

Shareholder Votes on Equity-Based Compensation plans

The NYSE rules require that shareholders must vote on all equity based compensation plans and any material revisions to the terms of such plans. Converium does not comply with this requirement, as under Swiss Company Law, the approval of compensation plans is not an authority of the General Meeting, but of the Board of Directors. The reason for not providing for approval of equity based compensation plans is the fact that the capital of a Swiss company is determined in the Articles of Incorporation and, therefore, each increase of capital has to be submitted for shareholders approval. If equity based compensation plans result in a need for a capital increase, the shareholders approval is mandatory. If, however, shares for such plans are purchased in the open market, shareholders do not have the authority to vote.

C. MATERIAL CONTRACTS

The Master Agreement

The Master Agreement set out the overall principles and the rights and obligations of the parties in connection with the Formation Transactions. It also addressed the relationship between Zurich Financial Services and Converium following the Formation Transactions. In particular, the Master Agreement provides for:

- the separation of substantially all of the third party reinsurance business from the businesses of Zurich Financial Services; and

- the consolidation of this business under Converium Holding AG.

The third party reinsurance business that has been retained by Zurich Financial Services includes the Zurich Centre Group business as described below and the reinsurance business written by ZIC with inception or renewal dates prior to January 1, 1987.

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In the Master Agreement, Zurich Financial Services and Converium made certain representations and warranties with respect to matters including the assets of and titles to the assumed business. In addition, each of Zurich Financial Services and Converium made certain covenants, principally intended to effect our separation from the other businesses of Zurich Financial Services.

Further, each of Zurich Financial Services and Converium agreed, following the completion of the Formation Transactions:

- to execute the agreements, and to cooperate and act in accordance with the arrangements described below; and

- not to, except for certain specified exceptions, disclose confidential information of the other party or an entity of such party s group which is not known to third parties but which is known by the parties due to the fact that the parties were previously part of the same group of companies or as a result of the Formation Transactions contemplated by the Master Agreement.

In addition, the Master Agreement provided that we bear up to a maximum of $50 million of the costs and expenses related to the consummation of the Formation Transactions, including advisors fees, retention costs and stamp duty taxes. Zurich Financial Services reimbursed us for costs and expenses in excess of this amount.

September 11th Coverage

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 $289.2 million, the amount of net loss and loss adjustment expenses we recorded as of September 30, 2001. As part of these arrangements, these subsidiaries of Zurich Financial Services 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 attacks in excess of the $289.2 million cap. While the cap does not cover non-payment by the retrocessionaires of CRNA, our only retrocessionaire for this business is a unit of Zurich Financial Services. Therefore, we are not exposed to potential non-payments by retrocessionaires for these events in excess of the $289.2 million cap, although we are 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. See Note 8 to our 2004 consolidated financial statements, and Item 4. Information on the Company B. Business Overview Retrocessional Reinsurance .

Acquisition of the Converium AG Business

Historically, Converium AG was not a separate legal entity and underwrote substantially all of its business pursuant to reinsurance policies issued by ZIC and ZIB, both subsidiaries of Zurich Financial Services, and was operated as the Zurich Re Zurich business unit of Zurich Financial Services. These subsidiaries were retained by Zurich Financial

Services. In June 2001, we incorporated Converium AG, based in Zurich, which is a wholly owned subsidiary of Converium Holding AG. Since October 1, 2001, Converium AG has written its new and renewal business on the balance sheet of the new legal entity.

Certain Converium AG reinsurance business was acquired from ZIC and ZIB via the Quota Share Retrocession Agreement, described in more detail below, and the Asset Purchase and Assumption of Liability Agreement between ZIC and Converium AG, dated September 28, 2001. Under this Agreement, ZIC transferred to Converium AG tangible assets, marketable securities and liabilities relating to the business written by the Zurich operations.

Quota Share Retrocession Agreement

In connection with the Formation Transactions, the transfer of certain business to Converium AG by ZIC and ZIB was effected by means of the Quota Share Retrocession Agreement effective July 1, 2001. The covered business consists of the business historically managed by Converium AG which has an inception or renewal date on or after January 1, 1987, and consists of substantially all of the third party reinsurance assumed business written by ZIC and ZIB under the Zurich Re brand name. The liabilities we assumed include all net unearned premiums, net losses and loss adjustment expenses and experience account balances relating to this business.

The Quota Share Retrocession Agreement provides for the payment of premiums to us by ZIC as consideration for assuming the covered liabilities. The Quota Share Retrocession Agreement provides that these premiums are on a funds withheld basis, whereby the premium is not immediately paid, but is rather retained by ZIC and credited to a funds withheld account. We receive interest on the Funds Withheld Asset based on fixed interest rates.

Because the business subject to the Quota Share Retrocession Agreement consists of business that was historically managed by Converium, this business is already reflected in our financial statements. Any reinsurance business written by ZIC or ZIB that is not part of the historically managed and operated third party reinsurance business of Converium AG is not covered by the Quota Share Retrocession Agreement, and all related legal rights and obligations of this business have been retained by ZIC and ZIB. Accordingly, this business is excluded from our financial statements. Therefore, execution of this Quota Share Retrocession Agreement has no impact on results of operations as reported.

We will receive the surplus remaining with respect to the Funds Withheld Asset, if any, after all liabilities have been discharged. Any surplus will be recorded in the financial statements in the period when it occurs. Additionally, Zurich Financial Services has the right to prepay to us the full amount or a portion thereof of the Funds Withheld Asset prior to termination of the agreement.

We will continue to administer the transferred business on behalf of ZIC and ZIB, which remain liable to the original cedents of the business. Additionally, we will manage third party retrocessions related to the business transferred. Converium AG has financial risks relating to the gross loss and loss adjustment expense reserves and related third party reinsurance recoverables arising out of the business reinsured under the Quota Share Retrocession Agreement. We will bear the credit risk for uncollectible reinsurance balances excluding those related to the September 11th terrorist attacks. We will have a broad right of offset under the Quota Share Retrocession Agreement so that reinsurance balances owed to ZIC and ZIB may be offset against the Funds Withheld Asset account directly. The Quota Share Retrocession Agreement provides that ZIC and ZIB may not, during its term, cancel these existing third party retrocessions for the benefit of the reinsurance policies covered under the agreement without our consent.

The Quota Share Retrocession Agreement provides for commutation and termination for special reasons, such as insolvency of a party or loss of its authorization to do business or a change of control of Converium. Each of the parties agrees to indemnify the other against liability or expense incurred by reason of its conduct or failure to act in appropriate circumstances. The Quota Share Retrocession Agreement contains other provisions that are customary for an agreement of this nature.

Acquisition of the Converium Reinsurance (North America) Inc. Business

The CRNA reinsurance business was acquired through the transfer by a subsidiary of Zurich Financial Services of all of the voting securities of CRNA to CHNA, pursuant to a Stock Purchase Agreement between ZRCH and us, dated November 20, 2001.

Assumption of $200 Million Public Notes

On October 20, 1993, ZRCH issued $200 million principal amount of 7.125% Senior Notes due October 15, 2023, (the Notes). In connection with the issuance of the Notes, ZRCH executed an Indenture. As partial consideration for the transfer to CHNA of CRNA, CHNA has executed a First Supplemental Indenture, dated November 20, 2001, assuming all of the rights and obligations of ZRCH under the Indenture. The Bank of New York acts as Trustee under the Supplemental Indenture. Accordingly, this indebtedness is reflected in our financial statements for all periods presented. The Notes are general unsecured obligations of CHNA and rank on a parity with all other unsecured and unsubordinated indebtedness of CHNA.

CENY Arrangements

Prior to the Formation Transactions, the CRNA balance sheet reflected business originally written by Centre Reinsurance Company of New York, or CENY. CENY was originally part of the Zurich Centre Group of companies, a business unit of Zurich Financial Services. Zurich Financial Services historically operated and managed CENY separately from Converium. In 1997, the CENY legal entity was merged into Zurich Reinsurance Centre, Inc., a predecessor of CRNA. As a result of this merger, certain liabilities of CENY, referred to below as CENY Business, became direct obligations of CRNA, but continued to be managed by Zurich Centre management and were not part of the independently managed and operated third party reinsurance business of Converium. Nevertheless, prior to our separation from Zurich Financial Services, we had primary legal responsibility for the CENY Business.

In connection with the Formation Transactions, we extinguished our legal responsibility for substantially all of the CENY Business pursuant to the Master Novation and Indemnity Reinsurance Agreement with certain insurance subsidiaries of Zurich Financial Services including Converium, dated as of October 21, 2001. Under this agreement, CRNA has assigned and transferred to insurance subsidiaries of Zurich Financial Services, and these insurance subsidiaries have assumed, pursuant to a novation, substantially all of the insurance contracts related to the CENY Business. Accordingly, the novated contracts are excluded from our financial statements. However, a portion of the CENY Business was not novated because necessary consents could not be obtained from the reinsureds by the effective date of the agreement. This portion of the CENY Business has been 100% retroceded to Centre Insurance Company and Centre Solutions (U.S.) Limited on an indemnity reinsurance basis and is reflected in our financial statements as 100% retroceded business for all periods presented.

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CRNA historically obtained stop-loss reinsurance coverage on the CENY Business from members of the Zurich Centre Group. In connection with the Formation Transactions, CRNA has commuted these policies pursuant to various commutation agreements dated October 1, 2001. Because we no longer have any legal rights of coverage under these policies, they have been excluded from our financial statements for all periods presented.

Supplementary Agreements and Arrangements

CRNA and its wholly owned subsidiary, CINA, terminated certain existing affiliated tax group allocation arrangements and settled balances due under certain such arrangements in preparation for the transfer of CRNA to Converium pursuant to an agreement dated October 1, 2001.

CRNA entered into a sublease with ZC Resource LLC, a subsidiary of Zurich Financial Services, in July 2001. See Lease arrangements .

All of the above supplementary transactions were recorded in our financial statements on the date they occurred.

Acquisition of the Converium Rückversicherung (Deutschland) AG Business

Converium Rückversicherung (Deutschland) AG was historically known as Agrippina Rückversicherung and subsequently known as ZRK. Historically, Zurich Re Zürich, ZIC and GRI all wrote reinsurance business through policies issued by ZRK. As part of the Formation Transactions, business not managed by us but written on contracts issued by ZRK was novated, commuted or retroceded to affiliates of Zürich Financial Services or third parties. Our financial statements reflect the business that remains the financial responsibility of Converium Rückversicherung (Deutschland) AG and exclude novated and commuted business from all periods presented.

The Converium Rückversicherung (Deutschland) AG reinsurance businesses were acquired through the transfer by Zurich Financial Services to Converium AG of its 98.63% interest in ZRK pursuant to the Agreement for the Sale and Transfer of Shares in Zürich Rückversicherung (Köln) Aktiengesellschaft, dated September 28, 2001.

GRI Retained Business

GRI is an internal operating unit of Zurich Financial Services whose principal role is to accumulate risks underwritten by primary and direct providers of insurance in a manner which allows GRI to access the third party reinsurance market. GRI s internal operations were wholly autonomous from the third party reinsurance business conducted by us. Moreover, Converium never used GRI to access external reinsurance markets.

Prior to the Formation Transactions, the GRI operation was partially conducted through policies issued by CRNA and ZRK. However, the GRI operation was managed exclusively by GRI s management team. Additionally, Zurich Financial Services did not alter the capital ascribed to support our business as a result of the GRI business formerly written on our balance sheets. As a consequence of the Formation Transactions, all GRI business previously written on our balance sheets has been novated, commuted or retroceded to affiliates of Zurich Financial Services or third parties. Any related rights and obligations of ours have been extinguished. Accordingly, all of this business is excluded from our financial statements.

Other Indemnity Matters

Pursuant to the Master Agreement, we and Zurich Financial Services have indemnified each other for certain matters, such as liabilities arising out of our respective businesses, and for breaches of our respective representations and warranties and other customary matters.

In particular, we agreed to indemnify Zurich Financial Services and its affiliates for:

- liabilities assumed by or transferred to us in the separation;

- liabilities incurred by Zurich Financial Services or its affiliates (other than us) while carrying on business on our behalf pursuant to the terms of agreements entered into in connection with the Formation Transactions before and after the dates of the separation of US and non-US business from Zurich Financial Services;

- liabilities incurred by us on our own behalf at any time, which are deemed to be or become a liability of Zurich Financial Services or any of its affiliates (other than us); and

- losses suffered by Zurich Financial Services or any of its affiliates (other than us) that relate to any reasonable action to

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- avoid, resist or defend against liabilities assumed by or indemnified against by us.

Zurich Financial Services correspondingly agreed to indemnify us for:

- liabilities retained by Zurich Financial Services and its affiliates and not assumed by or transferred to us in the separation;
- liabilities arising out of or relating to the assets not assumed by or transferred to us in the separation;
- liabilities arising out of specified contracts we have not assumed pursuant to the terms of the Quota Share Retrocession Agreement; and
- losses suffered by us or any of our affiliates that relate to any reasonable action to avoid, resist or defend against liabilities not relating to our business.

Moreover, we agreed with Zurich Financial Services to allocate amongst ourselves liabilities that may arise under relevant securities laws as a result of any misstatements or omissions contained in the various annual report documentation to be distributed to our shareholders or as a result of the Formation Transactions themselves.

In addition, pursuant to the tax sharing and indemnity agreements described below, we and Zurich Financial Services have indemnified each other for certain tax liabilities arising out of the Formation Transactions and certain other potential liabilities that arose while we were affiliated with Zurich Financial Services.

Also, we agreed to indemnify Zurich Financial Services and its subsidiaries for losses arising from Zurich Financial Services involvement in the MDU strategic partnership to the extent such indemnifiable losses had been caused by the misconduct or negligence of our employees or arising out of our business.

As described above, subsidiaries of Converium and Zurich Financial Services have indemnified each other with respect to losses arising out of our lease arrangements at CRNA s New York City office. See Acquisition of the Converium Reinsurance (North America) Inc. Business .

Tax Sharing Agreements

We entered into Tax Sharing and Indemnification Agreements with:

- ZRCH, in respect of the US Converium entities, which we refer to as the US Tax Sharing Agreement; and
- Zurich Financial Services in respect of the non-US Converium entities, which we refer to as the Non-US Tax Sharing Agreement .

The tax allocation agreement in effect involving CRNA and CINA was terminated as to those parties. CRNA and CINA paid the compensation due under the tax allocation agreement through the date of sale of CRNA to CHNA. Under the US Tax Sharing Agreement, payments previously made may be adjusted based on amendments to the tax returns or completion of IRS audits. The US Tax Sharing Agreement provides we will generally be liable for taxes imposed on our US entities in respect of periods prior to and after the transfer. However, ZRCH will be liable to us for specified taxes, which will include any taxes arising out of the transfer of the US entities to us, any taxes imposed in respect of the stop-loss reinsurance policy from ZIC from 1997 to 2001 and certain other matters.

The Non-US Tax Sharing Agreement provides, in general, that we will be liable for all taxes arising from the business previously conducted by ZIC and Zurich Rückversicherung (Deutschland) AG, whether arising prior to or subsequent to the transfer to Converium. We are also liable for branch taxes arising from the Converium branches located in Malaysia, Singapore and Australia and representative offices in Buenos Aires, London, Mexico City, Sao Paolo and

Tokyo. As described above, under the Master Agreement we will be liable for all taxes related to the consummation of the Formation Transactions together with all other costs and expenses of our initial public offering, up to an aggregate of $50 million. In addition, all taxes relating to the Formation Transactions but incurred after the Formation Transactions will be borne by Converium. See The Master Agreement .

The tax sharing agreements also set forth the responsibilities for filing tax returns affecting the Converium entities, and the conduct of audits and similar proceedings. The obligations of ZRCH under the US Tax Sharing Agreement are guaranteed by ZIC.

Swiss Tax Consequences to Converium of the Formation Transactions

Under the terms of the Swiss tax rulings obtained by Zurich Financial Services and granted by the Swiss Federal and Zurich Cantonal Tax Administrations, the offering of Converium shares to the public in our initial public offering triggered retroactively Swiss stamp duty at the rate of 1% of the fair market value of Converium at the level of Converium Holding AG.

As part of the Master Agreement, Zurich Financial Services has agreed to reimburse us for certain costs and expenses related to the Formation Transactions, including the stamp duty taxes described above. See The Master Agreement .

Continuing Relationships with Zurich Financial Services

In addition to the agreements described above, we have certain continuing relationships with Zurich Financial Services, including those described below.

Continuing Aggregate Excess of Loss Agreements

1993 Aggregate excess of loss agreement

In 1993, ZIC and ZRC entered into an Excess of Loss Reinsurance Agreement under which ZIC agreed to reinsure adverse loss development on ZRC s revenues as of December 31, 1992. As we described above under CENY Arrangements , ZRC was a predecessor of CRNA, and we remain liable for its continuing obligations. Also, ZIC and ZRC entered into a Stop-Loss Reinsurance Agreement as of March 5, 1993 for losses occurring between January 1, 1993 and May 31, 1993. In addition, under this second agreement, we are reimbursed for incurred losses and allocated loss adjustment expenses in excess of 75% of earned premiums for losses occurring after May 31, 1993 on business written by ZRC prior to June 1993. Recoveries under each of these agreements, which we refer to collectively as the 1993 Aggregate Excess of Loss Agreement, are on an incurred basis (rather than as any such losses are paid). As of December 31, 2003, there were no recoverables under the 1993 Aggregate Excess of Loss Agreement.

1997 Aggregate excess of loss agreement

CRNA has had an intra-Converium aggregate excess of loss reinsurance agreement in place since July 1, 1997 (1997 Aggregate Excess of Loss Agreement). This agreement provided protection to CRNA for losses that exceeded a net retention after amounts recoverable from its outside retrocessionaires. Because the 1997 Aggregate Excess of Loss Agreement pre-dated the Formation Transactions, ZIC was the formal counterparty to CRNA. In October 2001, the 1997 Aggregate Excess of Loss Agreement was amended as follows:

CRNA s coverage for net losses of $320.4 million with respect to all Amerisafe business retroceded to the Unicover Pool remains in effect, with ZIC as counterparty;

CRNA s coverage for net losses of $307.5 million from the September 11th terrorist attacks that exceed $58.2 million remains in effect, with ZIC as counterparty; and

the remainder of the coverage under the agreement is commuted.

As part of the Formation Transactions, ZIC also provided CRNA with coverage for all its net losses with respect to the Amerisafe business ceded to the Unicover Occupational Accident Reinsurance Pool and the September 11th terrorist attacks that exceed the coverage limits described above under each of two Indemnity Agreements, each dated as of October 1, 2001. In addition, under the Master Agreement, Converium agreed to indemnify ZIC for up to $58.6 million of losses in connection with the Amerisafe business ceded to the Unicover Pool for non-performance of the retrocessionaire.

Other Agreements and Arrangements

As described in more detail above, the separation of our business from that of Zurich Financial Services, in part pursuant to reinsurance agreements, including the Quota Share Retrocession Agreement and the Master Novation and Indemnity Agreement, has entailed us and Zurich Financial Services and its affiliates having continuing obligations to reinsure each other and to provide services in connection with the administration of the run-off of the business we transferred to each other.

Lease Arrangements

Converium AG leases office space from Zurich Financial Services. The lease term is fixed until 2011, with two renewal options for five-year terms each. The lease payments are fixed with annual rent escalations based on a cost of living index.

Converium Rückversicherung (Deutschland) AG leases office space from Zurich Financial Services. The lease term is for a period of ten years, with an option to renew for up to two additional ten-year terms. Lease payments have bi-annual rent escalations based on changes in local real estate price indices.

CRNA entered into a sublease with ZC Resource LLC (ZC Resource), a subsidiary of Zurich Financial Services, in July 2001. The sublease has a term of approximately eleven years, ending in 2012. As part of the Transactions, CRNA entered into an agreement to indemnify Global Asset Holdings Limited (GAHL), an indirect parent of ZC Resource and a co-guarantor of the prime lease, for losses under the prime lease or the guaranty caused by CRNA s default under the sublease that results in a default under the prime lease; GAHL, in turn, will indemnify CRNA for any losses under the guaranty caused by a default by ZC Resource under the prime lease. Centre Insurance Company, a subsidiary of Zurich Financial Services, will guaranty the punctual payment of all amounts due by GAHL under the guaranty and all expenses incurred by CRNA enforcing the guaranty. See Note 25 to our 2004 consolidated financial statements for additional information on guarantees. As a result of the transition to a run-off entity in North America, a decision was made in January 2005 to vacate our primary office space in New York, New York and consolidate in our Stamford, Connecticut office space. We expect the effective date of the transfer to be July 1, 2005.

D. EXCHANGE CONTROLS AND OTHER LIMITATIONS

Other than in connection with government sanctions imposed on Yugoslavia, Myanmar, Zimbabwe, Iraq, Ivory Coast, Liberia, Sierra Leone and persons and organizations with connection to Osama bin Laden, the al Qaeda group or the Taliban, there are currently no laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on payment of dividends, interest or liquidation proceeds, if any, to non-Swiss resident holders of shares. In addition, there are no limitations imposed by Swiss law or the Company s Articles of Incorporation on the rights of non-Swiss residents or non-Swiss citizens to hold or vote the shares of the Company.

There are currently no laws, decrees or regulations in Luxembourg that restrict the export or import of capital, including, but not limited to, Luxembourg foreign exchange controls on the payment of principal, interest or liquidation proceeds, if any, to non-resident holders of notes.

E. TAXATION

The following is a summary of the principal US Federal income tax and Swiss tax consequences to a holder of shares or ADSs. This discussion does not purport to address all tax consequences of the acquisition, ownership and disposition of shares or ADSs and does not take into account the specific circumstances of any particular holders (such as tax-exempt entities, certain insurance companies, broker-dealers, traders in securities that elect to mark to market, holders liable for alternative minimum tax, holders that actually or constructively own 10% or more of the voting shares of Converium, holders that hold shares or ADSs as part of a straddle or a hedging or conversion transaction or holders whose functional currency is not the US dollar, etc.), some of which may be subject to special rules. This summary is based on the tax laws of Switzerland and the United States (including the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions as in effect on the date hereof), as well as the Convention Between the United States of America and the Swiss Confederation, which we call the US/Switzerland Treaty, all of which are subject to change (or change in interpretation), possibly with retroactive effect. We have not, and will not, request a ruling from the US Internal Revenue Service concerning the tax consequences of any aspect of the transactions described herein. This discussion does neither generally address any aspects of Swiss taxation other than income and capital taxation and Swiss stamp duties nor of US taxation other than federal income taxation. Holders are urged to consult their tax advisors regarding the Swiss and other tax consequences of owning and disposing of shares or ADSs as well as the US federal, state and local and other tax consequences of owning and disposing of shares or ADSs.

Swiss Taxation

Generally, holders of ADSs will be treated as owners of the registered shares underlying the ADSs for Swiss tax purposes. Accordingly, except as noted, the Swiss tax consequences discussed below apply equally to holders of the registered shares and ADSs.

This discussion does not, as already mentioned above, generally address any aspects of Swiss taxation other than income and capital taxation and Swiss stamp duties. Holders are urged to consult their tax advisors regarding the Swiss and other tax consequences of owning and disposing of shares or ADSs.

Withholding Tax on Dividends and Distributions

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Dividends paid and similar in-kind distributions (including dividends of liquidation proceeds and share dividends) made by Converium to a holder of shares or ADSs are subject to a federal withholding tax at a rate of 35%. The withholding tax must be withheld by Converium from the gross distribution, and paid over to the Swiss Federal Tax Administration. The withholding tax is refundable in full to a Swiss resident who receives a distribution if such resident is the beneficial owner of the payment and duly reports the gross distribution received on his personal tax return.

Obtaining a Refund of Swiss Withholding Tax for US Residents

Article 10 of the US/Switzerland Treaty provides for a reduced 15% withholding tax rate for US individual and corporate shareholders who are entitled to claim treaty benefits, which may be further reduced to 5% in the case of a corporate shareholder owning at least 10% of the voting rights. Relief under the US/Switzerland Treaty is granted by way of a refund. Under the ADS program in effect through The Bank of New York, a US holder of ADSs that qualifies for US/Switzerland Treaty benefits will not be required to undertake any action with respect to the partial or full refund of the Swiss withholding tax. On the payment date of the dividend, Converium will pay 65% of the gross dividend to The Bank of New York on behalf of the ADS holders. The Bank of New York will file a Form 82 accompanied by a shareholder list and a DTC participant list for each program. Based on this refund application, the refundable withholding tax will be refunded by the Swiss Federal Tax Administration to The Bank of New York on behalf of the eligible US holders of ADSs. The Bank of New York will pay 85% or 95% of the dividend to the eligible US holders of ADSs, depending on the applicable US/Switzerland Treaty rate. Such holders should receive the ADS dividend within approximately one month of the payment of the dividend by Converium. Relief under the US/Switzerland Treaty is granted for holders of shares by way of a refund of the withholding tax. A US holder of shares may obtain the applicable refund of Swiss withholding tax by filing a Swiss Federal Tax Administration Form 82 with the Swiss Federal Tax Administration.

Income Tax on Dividends

A Swiss resident or a foreign resident subject to Swiss taxation who receives a dividend or similar distribution (including liquidation proceeds in excess of the nominal value of the shares) from us is required to include such amounts in his personal income tax return. A Swiss shareholder which itself is a company or a cooperative may, under certain circumstances, benefit from an exemption of the dividend from income taxation (participation exemption/Beteiligungsabzug).

For purposes of the above paragraph and the discussion under Capital Gains Tax upon Disposal of Shares, a foreign resident subject to Swiss taxation refers to a non-Swiss resident person that maintains in Switzerland a permanent establishment or fixed place of business to which the shares are attributable.

Capital Gains Tax upon Disposal of Shares

A Swiss resident who holds shares as part of such resident s private, non-business assets will not be subject to any Swiss federal, cantonal or municipal income taxation on gains realized upon the sale or other disposal of shares. However, under certain conditions, shares can be deemed to be part of the business assets of an individual, i.e. an individual may be treated as a professional trader in securities, with the consequence of taxation of any capital gains as business income. Furthermore, private gains realized upon a repurchase of shares by us may be re-characterized as taxable dividend income if some conditions are met. In the case of such re-characterization of capital gains into dividend income, income tax will be levied on the difference between the repurchase price and the underlying nominal value of the shares. Capital gains realized on shares held as part of the business assets of a Swiss resident or a foreign resident subject to Swiss taxation are included in the taxable income of such persons.

Persons who are not resident in Switzerland for tax purposes are not subject to any Swiss taxes with respect to gains realized upon a sale of shares or ADSs, unless the shares or ADSs are attributable to a permanent establishment or fixed place of business maintained by such non-resident person in Switzerland. However, under some conditions, dividend withholding tax will become due if shares are repurchased by Converium.

A Swiss resident or a foreign resident subject to Swiss taxation which is a shareholder and which itself is a company or a cooperative may, under certain circumstances, be eligible for relief from taxation with respect to capital gains (participation exemption/Beteiligungsabzug). However, the participation exemption on capital gains applies only in the case of a shareholding quota sold of at least 20% held over an uninterrupted period of at least one year.

Stamp Duties upon Transfer of Shares

The sale or purchase of shares or ADSs, whether by Swiss resident or non-resident holders, may be subject to a Swiss securities transfer stamp duty, calculated on the sale proceeds, if it occurs through or with a Swiss bank or other Swiss securities dealer as defined in the Swiss Federal Stamp Tax Act.

United States Federal Income Taxation

This discussion applies only to beneficial owners of shares or ADSs that hold the shares or ADSs as capital assets and are US holders. For purposes of this discussion, a US holder for US federal income tax purposes is either (1) a citizen or resident of the United States, (2) a corporation, or other entity treated as a corporation, organized under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to US federal income tax without regard to its source, or (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

This discussion does not, as already mentioned above, generally address any aspects of US taxation other than federal income taxation. Holders are urged to consult their tax advisors regarding the US federal, state and local and other tax consequences of owning and disposing of shares or ADSs.

US holders of ADSs will be treated as owners of the shares underlying the ADSs for US federal income tax purposes. Accordingly, except as noted, the US federal income tax consequences discussed below apply equally to US holders of ADSs and shares. This discussion is based in part upon representations of The Bank of New York and assumes that each obligation provided for in, or otherwise contemplated by, the deposit agreement and any related agreement will be performed in accordance with its respective terms.

Taxation of Dividends

Subject to the passive foreign investment company, or PFIC, rules described below, US holders will include in gross income the gross amount of any distribution, other than certain pro rata distributions of common shares, paid (before reduction for Swiss withholding taxes) by Converium out of its current or accumulated earnings and profits (as determined for US federal income tax purposes) as foreign source ordinary income when the dividend is actually or constructively received by the US holder. The dividend will not be eligible for the dividends-received deduction. Dividends paid to a non-corporate US holder before January 1, 2009 will be taxable to the holder at a maximum tax rate of 15% provided that the shares or ADSs are held for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and the holder meets other holding period requirements. The amount of the dividend paid in Swiss francs will be the US dollar value of the Swiss francs received, including the amount of any Swiss tax withheld, determined at the spot Swiss franc/US dollar rate on the date such dividend is received, which for holders of ADSs would be the date such dividend is received by The Bank of New York, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder s basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Swiss tax withheld in accordance with the US/Switzerland Treaty and paid over to Switzerland will be creditable against the US holder s US federal income tax liability. One such limitation is that a foreign tax credit is only allowed for withholding tax on a dividend if the shareholder has held the shares with respect to which the dividend is paid for more than 15 days during the 31 day period beginning on the date which is 15 days before the date on which the shares become ex-dividend with respect to the dividend. To the extent a refund of the tax withheld is available to a US holder under the US/Switzerland Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the US holder s US federal income tax liability. See Swiss Taxation Obtaining a Refund of Swiss Withholding Tax for US Residents above for the procedures for obtaining a refund of tax.

The ability of a US holder to utilize foreign taxes as a credit to offset US taxes is affected by complex limitations and conditions. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends paid by Converium will generally constitute passive income .

A US holder may elect to claim all foreign taxes paid as an itemized deduction in lieu of claiming a foreign tax credit. A deduction does not reduce US tax on a dollar-for-dollar basis like a tax credit, but the availability of the deduction is not affected by the conditions and limitations applicable to foreign tax credits. US holders should consult their tax advisors to determine whether and to what extent a foreign tax credit would be available to them.

The US Treasury Department has expressed concern that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming by US holders of ADSs of foreign tax credits for US federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate US holders, described above. Accordingly, the discussion of the creditability of foreign taxes and the availability of the reduced rate for dividends received by certain non-corporate US holders could be affected by future actions that may be

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taken by the US Treasury Department.

Sale or Exchange

Subject to the PFIC rules described below, gain or loss recognized by a US holder on the sale, exchange or other disposition of shares or ADSs will, be subject to US federal income taxation as capital gain or loss in an amount equal to the difference between the US holder s adjusted tax basis in the shares or ADSs and the amount realized on the disposition. Capital gain or loss will be long-term capital gain or loss where the shares or ADSs have been held for more than one year. Any gain or loss recognized will generally be treated as US source gain or loss. US holders are urged to consult their own tax advisors about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

The surrender of ADSs in exchange for shares, or vice versa, will not result in the realization of gain or loss for US federal income tax purposes.

PFIC Rules

Converium believes that it was not a PFIC for US federal income tax purposes for 2004 and it does not expect to be considered a PFIC in the foreseeable future. However, since PFIC status depends upon the composition of a company s income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, there can be no assurance that Converium will not be considered a PFIC for any taxable year. If Converium were treated as a PFIC for any taxable year during which a US holder held a share or ADS, certain adverse consequences could apply to the US holder.

If Converium were treated as a PFIC for any taxable year, gain recognized by such US holder on a sale or other disposition of a share or ADS would be allocated ratably over the US holder s holding period for the share or ADS. The amounts allocated to the taxable year of the sale or other exchange and to any year before Converium became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of ADSs or shares in excess of 125 percent of the average of the annual distributions on ADSs or shares received by the US holder during the preceding three years or the US holder s holding period, whichever if shorter, would be subject to taxation as described above. Certain elections may be available (including a mark to market election) to US persons that may mitigate the adverse consequences resulting from PFIC status.

In addition, if Converium were to be treated as a PFIC in a taxable year in which Converium pays a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate US holders would not apply.

Backup Withholding

A US holder may, under certain circumstances, be subject to backup withholding with respect to dividends paid on the shares or ADSs or the proceeds of sale, exchange, or other disposition of shares or ADSs unless such holder (1) is a corporation or comes within certain other exempt categories, and, when required, demonstrates this fact or (2) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the US holder s federal income tax liability, provided appropriate information is furnished to the IRS. A US holder who does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

You may read and copy documents referred to in this annual report that have been filed with the SEC at the SEC s public reference room located at:

451 Fifth Street, NW
Washington DC 20549, USA

Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and their copy charges.

In addition, documents referred to above are available from Converium at it headquarters, located at:

Baarerstrasse 8 CH-6300 Zug, Switzerland

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 specific guidelines and limits tailored to the characteristics of each business. See Item 15. Controls and Procedures .

We consider our market risk to consist primarily of our exposure to adverse market value changes in our assets, across both short- and long-term periods. Our market risk includes multiple sources of market price fluctuations, including interest rate risks, credit risks, prepayment risks, liquidity risks, sector risks and other risks. Short-term market risks relate primarily to our exposure to adverse market value changes in our assets and the potential inability to realize asset values on a timely basis.

We principally manage our long-term market risks through a procedure we refer to as asset/liability management, or ALM, through which we seek to understand and manage the dynamic interactions between our assets and liabilities. We utilize and continually develop firm-wide ALM processes and models to manage our aggregate financial risks and the correlation between financial risks and underwriting risks. The primary goal of our ALM procedures is to match, in terms of timing and currency, anticipated claims payments to our cedents with investment income and repayments generated by our investment assets and to improve our understanding of the correlation between financial risks and underwriting risks. Because fixed income securities generally provide more stable investment income than equity securities, the preponderance of our investments are in fixed income instruments. Although our ALM techniques are based on theoretical and empirical models and can lead to incorrect assumptions, we believe that the careful use of these ALM techniques leads to a better understanding of the risks inherent in our assets and liabilities and is therefore an important element of our risk and investment management process. Our principal ALM techniques include cash flow analysis, scenario testing and stochastic modeling.

To help manage our aggregate exposure to concentration and credit risks, we analyze and review the concentration of our risk by entity, risk category (asset, underwriting, retrocession), industry and credit rating on a periodic basis.

Sensitivity Analyses for Invested Assets

Approximately 85.5% of our investment securities are classified for accounting purposes as available-for-sale. These securities are carried at their fair market value as of the balance sheet date with movements in fair value recorded in shareholders equity. In contrast to these assets, certain liability reserves, particularly non-life reinsurance reserves, are not shown at fair market values as of the balance sheet date. Therefore, US GAAP accounting practices typically result in more volatile assets than liabilities. This, in turn, may lead us to report more volatile shareholders equity on our balance sheet than we believe may economically be the case.

The following risk analyses do not take into account that there are strategies in place to minimize the exposures to market fluctuations. These strategies include, among others, changes in asset allocation and the sale of investments. These analyses assume that the change in value of assets is temporary and that the liability reserves would not change.

We have based our computations of prospective effects of hypothetical interest rate changes on numerous assumptions. Because these computations are based on assumptions, they should not be relied on as indicative of future results.

Certain shortcomings are inherent in the method of analysis presented in the computation of the fair value of fixed rate instruments. Actual values may differ from those projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities, including non-parallel shifts in the term structure of interest rates and changing individual issuer credit spreads.

Equity Market Risk

We hold approximately 5.2% (including our participation in PSP Swiss Property AG) of our invested assets in equity securities, which are subject to equity market risk. Our equity market risk is concentrated in the United States and Europe and is highly sensitive to general economic and stock market conditions. The estimated potential exposure of our consolidated net assets to a 10% decline in all stock markets as of December 31, 2004 would be an after-tax reduction in net assets of $34.8 million, which represents approximately 2.0% of our total shareholders equity as of December 31, 2004.

Our strategic asset allocation combines a large percentage of investments in high-quality bonds with investments in equity securities. This allocation seeks to generate strong positive returns with acceptable risks over the long term, while protecting against excessive risks in periods of severe market distress.

During a severe stock market correction associated with a weak economy, recession or depression, losses in the fair market value of equity securities tend to be partially offset by gains on high-quality bonds arising from falling interest rates. We seek to match our investments with our underlying liabilities in the countries and territories in which we operate. Consequently, we strive to keep our equity portfolio diversified so as to provide a broad exposure across major sectors of individual stock markets. We restrict our maximum investment in any one equity security or equity sector by reference to local benchmarks and insurance regulations.

Interest Rate Risk

Our investments are subject to interest rate risks. Our interest rate risk is concentrated in the United States and Europe and is highly sensitive to many factors, including governmental monetary policies, and domestic and international economic and political conditions. The estimated potential exposure of our consolidated net assets to a one percentage point increase of the yield curve would be an after-tax reduction in net assets of $121.7 million, which represents approximately 7.1% of our total shareholders equity as of December 31, 2004. This reduction would be offset by higher investment income earned on newly invested funds.

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 3.4. Additionally, we expanded our portfolio of held-to-maturity government bonds totaling $850.4 million (15.0% of our fixed maturities portfolio, excluding the Funds Withheld Asset). The duration of the held-to-maturity portfolio is 4.3.

As of December 31, 2004, all of our debt outstanding was at fixed interest rates. Thus, an increase in interest rates would currently have no effect on our annual interest expense or reported shareholders equity, as we account for debt at amortized cost, not fair value.

Foreign Exchange Risk

Our general practice is to invest in assets that match the currency in which we expect related liabilities to be paid. We tend thus to invest our assets with the same currency allocation as our technical liabilities. This results in the same currency split for the assets backing our shareholders equity. This practice enables sound currency asset/liability management, but implies a translation risk of currency rate changes against the US dollar that may result in adverse effects on our reported shareholders equity when expressed in US dollars.

Shareholders equity held in local insurance units is primarily kept in local currencies to the extent that shareholders equity is required to satisfy regulatory and self-imposed capital requirements. This facilitates our efforts to ensure that capital held in local insurance units will be able to support the local insurance business irrespective of currency movements. In line with our functional currency concept, the differences resulting from the currency rate changes are recorded in shareholders equity as cumulative currency translation adjustments.

The table below shows the approximate effect on shareholders equity of instantaneous adverse movements in currency exchange rates of 10% on our major currency exposures at December 31, 2004 against the US dollar.

	Adverse exchange rate movement against the US dollar(1)	**Approximate decline in shareholders equity**
Euro	10%	$66.7 million
Swiss franc	10%	$46.9 million
UK pound	10%	$ 9.6 million

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(1) A weakening of the respective currency against the US dollar
As of December 31, 2004 and 2003, we had unrealized cumulative translation gains of $187.7 million and $116.1 million, respectively.

Our reported premiums, losses and expenses are also affected by exchange rate fluctuations. Business written in currencies other than the US dollar is translated at average exchange rates for the period, and therefore exchange rate movements from period to period can have a significant effect on our US dollar reported premiums, losses and expenses.

The table below shows the percentage of key income statement and balance sheet items, denominated by our main currencies as of and for the year ended December 31, 2004:

	US Dollar	Euro	U.K pound	Swiss franc	Japanese yen	Other	Total
Income statement							
Net premiums written	43%	25%	17%	1%	2%	12%	100%
Net investment income	57%	19%	20%	1%		3%	100%
Losses, loss adjustment expenses and life benefits	58%	20%	13%	2%		7%	100%
Underwriting acquisition costs	46%	26%	12%	1%	3%	12%	100%
Other operating and administration expenses	33%	17%	4%	44%		2%	100%
Interest expense	100%						100%
Balance sheet							
Total invested assets	56%	17%	18%	2%		7%	100%
Reinsurance assets	79%	10%	10%			1%	100%
Losses and loss adjustment expenses, gross	57%	19%	19%			5%	100%
Unearned premiums, gross	53%	15%	24%		1%	7%	100%
Future life benefits, gross	42%	54%	1%	1%		2%	100%
Debt	100%						100%

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATION TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Converium Holding AG s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that due to the material weaknesses described below, as of such date our disclosure controls and procedures were ineffective to ensure that material information relating to Converium Holding AG was made known to them by others within the company, particularly during the period in which this Form 20-F was being prepared.

There were no changes to our internal controls over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Material Weaknesses

For purposes of Section 404 of the Sarbanes-Oxley Act, a material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

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Two material weaknesses were identified within Converium s financial accounting and reporting function. The first weakness identified was the need to train or recruit suitably qualified individuals to fill the knowledge and experience gaps caused by the departure of various key finance employees. The second weakness identified was the failure in the operation of key internal controls over the initiation of reinsurance and financial accounting data.

Converium is in the process of addressing these weaknesses by actively undertaking a recruitment search to identify and hire additional suitably qualified staff and by providing further training to existing staff in order to address the current knowledge and experience gaps within the financial accounting and reporting function. In addition, Converium is actively addressing the key internal control weakness identified over the initiation of reinsurance and financial accounting data by committing both internal and third-party consulting resources to address this issue and to further enhance our overall control environment.

Under current rules, we will become subject to Section 404 of the Sarbanes-Oxley Act in respect of our fiscal year ended December 31, 2006.

We expect to successfully address these weaknesses before Converium s management is required to provide an assessment of the Company s internal control over financial reporting pursuant in annual reports to Section 404 of the Sarbanes-Oxley Act.

Whistleblower Procedure

An anonymous whistleblower procedure has been established, allowing confidential reporting and evaluation of complaints regarding questionable accounting methods or fraudulent practices, as well as other risk-related operational hazards such as inadequate controls or organizational shortcomings. Through Group Internal Audit, such anonymous reporting goes directly to the Audit Committee of the Board of Directors.

ITEM 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that a member of our Audit Committee, George G.C. Parker, is an audit committee financial expert and is independent under the rules of the New York Stock Exchange.

Item 16B. CODE OF ETHICS

The Board of Directors of Converium Holding AG approved the Code of Business Conduct and Ethics (the Code) for Converium on May 27, 2003.

The details of the Code is accessible on our Internet website at:

http://www.converium.com/3152.asp

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Duration of the Mandate and Terms of Office of the Independent Auditors

PricewaterhouseCoopers Ltd, our principal independent auditor, began serving as our auditor upon the formation of Converium in 2001. The audit partners responsible for our audit, Andrew Hill and Martin Frei, began serving in their roles in 2002 and 2003, respectively.

Policy on Pre-Approval and Non-Audit Services of Independent Auditors

Our Audit Committee comprises the Chairman of the Board of Directors and the Chairmen of the Finance, Nomination and Remuneration Committees. Only independent and financially literate Directors are eligible to serve on the Audit Committee. In order to qualify as independent, a member may not accept any consulting, advisory or compensatory fee from us. In addition, an Audit Committee member may not be a person affiliated with the company or any of its subsidiaries. The Audit Committee approves and supervises the implementation of Converium s Audit Charter, including the review of internal control systems and Converium s risk management and auditing processes; reviews and assesses significant accounting and reporting issues; oversees external and internal auditors and the external and internal audit process; assesses the accuracy of the annual financial statements and determines that appropriate accounting principles have been applied; and liaises with Converium s Risk Management functions to identify Converium s areas of greatest risk and to assess management s role in mitigating the risks. Standing invitees are the CEO, the Head of Internal Audit and the external auditor. In 2004 the Audit Committee held six meetings.

The Audit Committee has the responsibility to pre-approve all audit fees, fees for audit related services, tax advisory fees provided by Converium s external auditors and all non-audit related fees. Converium implemented protocols and guidelines to ensure that only pre-approved services are provided by Converium s external auditors.

Independent Auditor Fees

We paid the following fees for professional services to PricewaterhouseCoopers Ltd, for the twelve-month periods ended December 31:

($ thousands)	**2004**	**% Approved (1)**	**2003**
Audit Fees	$ 4,741	100%	$ 2,296
Audit-Related Fees	1,060	100%	374
Tax Fees	189	100%	161
All Other Fees	145	100%	7
Total fees	$ 6,135	100%	$ 2,838

(1) Represents percentage of fees approved by the Audit Committee.

Audit Fees are defined as the standard audit work that needs to be performed each year in order to issue an opinion on the consolidated financial statements of the Company and to issue reports on the local statutory financial statements. It also includes services that can only be provided by the Group auditor such as auditing of non-recurring transactions and application of new accounting policies, audits of significant and newly implemented system controls, pre-issuance reviews of quarterly financial results, consents and comfort letters and any other audit services required for US Securities and Exchange Commission or other regulatory filings.

Audit-Related Fees include those other assurance services provided by auditors but not restricted to those that can only be provided by the auditor signing the audit report. They comprise amounts for services such as consultation on the Sarbanes-Oxley project, systems reviews, US GAAP training, pension and benefit plan audits and other accounting consultation.

Tax Fees represent tax compliance and fees related to transfer pricing analysis.

All Other Fees consist of fees related to a PricewaterhouseCoopers Ltd accounting and reporting database that Converium subscribes to, as well as advisory fees for CRNA s run-off.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See the consolidated financial statements beginning on page F-1.

ITEM 19. EXHIBITS

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Exhibit Number	Description
1.1	Articles of Incorporation of Converium Holding AG, adopted November 8, 2001.*
1.2	Bylaws of Converium Holding AG, adopted November 16, 2001.*
1.3	Articles of Incorporation of Converium Holding AG, revised October 12, 2004. ^
1.4	Bylaws of Converium Holding AG, revised April 11, 2005.
2.1	Form of Deposit Agreement among Converium Holding AG, The Bank of New York, as Depositary, and all owners and beneficial owners from time to time of ADSs issued thereunder (including the form of ADS), incorporated by reference from the Registration Statement on Form F-6 of Converium Holding AG (File No. 333-14108), initially filed with the Commission on November 19, 2001.*
2.2	Indenture, dated as of October 20, 1993 between Zurich Reinsurance Centre Holdings, Inc. and The Bank of New York, as Trustee, relating to $200,000,000 principal amount of 7 1/8% Senior Notes due 2023 (and assumed by Converium Holdings (North America) Inc. pursuant to the Supplement Indenture included as Exhibit 2.3 hereto).* (Previously filed as Exhibit 3.1)
2.3	First Supplemental Indenture among Zurich Reinsurance Centre Holdings, Inc., as Issuer, Converium Holdings (North America) Inc., as Guarantor, and The Bank of New York, as Trustee, dated as of November 20, 2001.* (Previously filed as Exhibit 3.2)
2.4	Form of Indenture between Converium Finance, S.A., as Issuer, Converium AG and Converium Holding AG as Guarantors and JPMorgan Chase Bank as Trustee, Calculation Agent and Paying Agent.+
2.5	Form of the $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032 (included in Exhibit 2.4 hereto).+
2.6	Subordinated Guarantee by Converium Holding AG and Converium AG relating to $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032. ^
2.7	Indenture, dated December 23, 2002 between Converium Finance S.A., Converium Holding AG, Converium AG and JP Morgan Chase Bank, as trustee, relating to $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032. ^
4.1	Master Agreement by and among Zurich Financial Services and Converium Holding AG, dated December 1, 2001.*
4.2	Stock Purchase Agreement between Zurich Reinsurance Centre Stock Purchase Agreement between Zurich Reinsurance Centre Holdings, Inc. and Converium Holdings (North America) Inc., dated as of October 1, 2001.*
4.3	Agreement for the Sale and Transfer of Shares in Zürich Rückversicherung (Köln) Aktiengesellschaft, dated September 28, 2001.*

4.4	Quota Share Retrocession Agreement between Zurich Insurance Company (including its Singapore, Labuan and Bermuda branches) and Converium AG, dated October 1, 2001.*
4.5	Quota Share Retrocession Agreement between Zurich International (Bermuda) Ltd. and Converium AG, dated October 1, (and effective as of July 1, 2001).*
4.6	Asset purchase and Assumption of Liability Agreement between Zurich Insurance Company and Converium AG, dated September 28, 2001.*
4.7	Indemnity Agreement (Unicover) between Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001.*
4.8	Indemnity Agreement (September 11th Cessions) between Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001.*

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Exhibit Number	Description
4.9	Indemnity Agreement (September 11th Losses) between Zürich Rückversicherung (Köln) Aktiengesellschaft and Zurich Insurance Company, dated as of October 1, 2001.*
4.10	Partial Commutation Agreement between Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001.*
4.11	Master Novation and Indemnity Reinsurance Agreement among Zurich Reinsurance (North America), Inc., Centre Insurance Company, Centre Solutions (U.S.) Limited and Zurich Insurance Company, Bermuda Branch, dated as of October 1, 2001.*
4.12	Group Reinsurance Business Master Novation and Indemnity Reinsurance Agreement by and among Zurich Reinsurance (North America), Inc., Zurich Insurance Company and Zurich International (Bermuda) Ltd., dated as of October 1, 2001.*
4.13	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1991 through December 31, 1993) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.14	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1994 through December 31, 1994) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance International Company, dated as of October 1, 2001.*
4.15	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1995) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.16	Commutation Agreement (covering the Obligatory Surplus Share Reinsurance Agreement effective October 1, 1995) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.17	Commutation Agreement (covering the Obligatory Surplus Share Reinsurance Agreement effective November 6, 1992) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance International Company, dated as of October 1, 2001.*
4.18	Agreement Amending and Terminating Centre Reinsurance Dublin Affiliated Group Tax Allocation Agreement among Orange Stone Delaware Holdings Limited, Orange Stone Reinsurance, Centre Reinsurance Holdings (Delaware) Limited, Centre Reinsurance (U.S.) Limited, Zurich Reinsurance Centre Holdings, Inc., Zurich Reinsurance (North America), Inc., ZC Insurance Company, ZC Specialty Insurance Company, Centre Risk Advisors, Inc., Constellation Reinsurance Company, Centre Re Services, Inc., Zurich Global Assets LLC, formerly known as BDA/US Services Limited, ZC Management Corporation, ZC Resource LLC, ZC Property Management, Inc. and Claims Solutions Group, dated October 1, 2001.*
4.19	Catastrophe Cover Retrocession Agreement by and between Converium AG and Zurich Insurance Company, dated December 1, 2001.*
4.20	

	Stock Purchase Agreement between Zurich Reinsurance (North America), Inc. and Centre Strategic Investments Holdings Limited, dated August 23, 2001.*
4.21	Run-off Services and Management Agreement between Zurich Insurance Company and Converium AG, dated December 3, 2001.*
4.22	Tax Sharing and Indemnification Agreement among Zurich Reinsurance Centre Holdings, Inc., Orange Stone Delaware Holdings Limited, Converium Holdings (North America) Inc., Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001. *
4.23	Tax Sharing and Indemnification Agreement between Zurich Financial Services, Zurich Insurance Company, Converium Holding AG and Converium AG dated December 3, 2001. *
4.24	Form of Converium Standard Stock Option Plan for Non-US Employees. *

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Exhibit Number	Description
4.25	Form of Converium Standard Stock Purchase Plan for Non-US Employees. *
4.26	Omnibus Share Plan for US Employees. *
4.27	Converium Employee Stock Purchase Plan for US Subsidiaries.*
4.28	Form of Converium Annual Incentive Deferral Plan.*
4.29	Lease, between Zurich Insurance Company and Converium AG, dated August 29, 2001.*
4.30	Sublease Support Agreement among Zurich Reinsurance (North America), Inc., Global Asset Holdings Limited and Centre Insurance Company, dated as of October 1, 2001.*
4.31	Sublease between ZC Resource LLC and Zurich Reinsurance (North America), Inc., dated as of June 20, 2001.*
4.32	Form of Letter Agreement between Converium Holding AG and The Bank of New York, relating to the pre-release of the ADRs, incorporated by reference from the Registration Statement on Form F-6 of Converium Holding AG (File No. 333-14108), initially filed with the Commission on November 19, 2001.*
4.33	Agreement dated September 2, 2002, between Converium AG and MDU Investments Ltd, regarding subscription of up to 20 million shares at £1 each. ^
4.34	Share Purchase Agreement dated November 27, 2002, between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal and Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.35	Shareholder s Agreement dated March 12, 2003, between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal and Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.36	Sale and Purchase Agreement and Assignment between Converium AG and Converium Finance S.A. regarding the transfer of a $150 million loan granted to Converium Holding AG. ^
4.37	Amendment to Share Purchase Agreement dated November 27, 2002 between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.38	Agreement dated December 30, 2003, for the sale and purchase of 5.1% of Royal and Sun Alliance Insurance PLC s shareholding in Global Aerospace Underwriting Managers Limited (GAUM). #
4.39	Agreement dated July 24, 2003 $900,000,000 Credit Facility for Converium AG, Zurich arranged by ABN Amro Bank N.V., Barclay s Capital and Commerzbank Aktiengesellschaft. #
4.40	

	Agreement dated November 29, 2004, USD 1,600,000,000 Credit Facility for Converium AG, arranged by ABN AMRO Bank N.V., Barclay s Capital, BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse First Boston and J.P. Morgan.
4.41	Deed of Pledge, dated December 15, 2004, Converium Rückversicherung (Deutschland) AG as the Pledgor and ABN Amro Mellon Global Securities Services as the Account Bank and ABN Amro Bank N.V. as the Pledgee.
4.42	Deed of Pledge, dated December 15, 2004, Converium AG, Zürich, as the Pledgor, and ABN Amro Bank N.V. as the Pledgee and ABN Amro Mello Global Securities Services as the Account Bank.
4.43	Guarantee, dated October 21, 2004 between Converium AG, Zürich as the Guarantor, and Converium Insurance (UK) Limited
4.44	Guarantee, dated October 21, 2004 between Converium AG, Zürich as the Guarantor, and Converium Rückversicherung (Deutschland) AG.

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Exhibit Number	Description
4.45	Fronting and Administration Agreement relating to the Global Aerospace Underwriters Pool, dated January 7, 2005, between Global Aerospace Underwriting Managers Limited, Global Aerospace, Inc., Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, National Indemnity Company and Converium AG.
7.1	Computation of ratio of earnings to fixed charges.
8.1	Subsidiaries of the Registrant.
12.1	302 Certification of Chief Executive Officer.
12.2	302 Certification of Chief Financial Officer.
13.1	906 Certification of Chief Executive Officer.
13.2	906 Certification of Chief Financial Officer.
14.1	Consent of PricewaterhouseCoopers Ltd, independent accountants.

* Incorporated by reference to the Company s Registration Statement filed on Form F-1, on December 10, 2001.

\+ Incorporated by reference to the Company s Registration Statement filed on Form F-1, on December 18, 2002.

^ Incorporated by reference to the Company s Annual Report on Form 20-F for the year ended December 31, 2002, filed on April 18, 2003 .

\# Incorporated by reference to the Company s Annual Report on Form 20-F for the year ended December 31, 2003, filed on April 5, 2003 .

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CONVERIUM
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Schedules other than those listed above are omitted for the reason that they are not applicable or the information is otherwise contained in the financial statements.

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Converium Holding AG and Subsidiaries
Report of the independent Group auditors

To the General Meeting of Shareholders of Converium Holding AG, Zug

We have audited the accompanying consolidated balance sheets of Converium Holding AG as of December 31, 2004 and 2003 and the related consolidated statements of income, cash flows and changes in equity for each of the three years in the period ended December 31, 2004, included on pages F-3 through F-53 all expressed in United States dollars.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the Swiss legal requirements concerning professional qualifications and independence.

Our audits were conducted in accordance with auditing standards promulgated by the Swiss profession and with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Converium Holding AG at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

A. Hill M. Frei

Zurich,
March 4, 2005, except as to the subsequent events described in Note 27, as to which the date is June 30, 2005.

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Converium Holding AG and Subsidiaries
Consolidated statements of (loss) income

(US$ million, except per share information) Year ended December 31	Notes	2004	2003	2002
Revenues				
Gross premiums written		3,840.9	4,223.9	3,535.8
Less ceded premiums written		287.9	396.9	213.6
Net premiums written	11	3,553.0	3,827.0	3,322.2
Net change in unearned premiums		132.1	150.5	156.7
Net premiums earned	11	3,685.1	3,676.5	3,165.5
Net investment income	7	311.6	233.0	251.8
Net realized capital gains (losses)	7	46.5	18.4	10.3
Other (loss) income		2.6	2.7	1.2
Total revenues		4,040.6	3,930.6	3,405.8
Benefits, losses and expenses				
Losses, loss adjustment expenses and life benefits	9,11	3,263.1	2,674.2	2,492.0
Underwriting acquisition costs	11	842.5	803.2	666.7
Other operating and administration expenses		217.9	197.8	173.3
Interest expense	12	33.1	31.0	16.4
Impairment of goodwill	8	94.0		
Amortization of intangible assets	8	9.9		
Restructuring costs	4	2.7		
Total benefits, losses and expenses		4,463.2	3,706.2	3,348.4
(Loss) income before taxes		422.6	224.4	57.4
Income tax (expense) benefit	13	338.2	39.3	49.4
Net (loss) income		760.8	185.1	106.8

Basic (loss) earnings per share	24	12.00	2.33	1.34
Diluted (loss) earnings per share	24	12.00	2.32	1.33

The notes to the consolidated financial statements are an integral part of these financial statements.

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Converium Holding AG and Subsidiaries
Consolidated balance sheets

(US$ million, except share information) Year ended December 31	Notes	2004	2003
Assets			
Invested assets			
Held-to-maturity securities:			
Fixed maturities	7	850.4	500.4
Available-for-sale securities:			
Fixed maturities	7	4,834.8	4,428.2
Equity securities	7	408.5	840.2
Other investments	7	272.3	173.5
Short-term investments		133.3	55.8
Total investments		6,499.3	5,998.1
Funds Withheld Asset	7	1,305.1	1,530.6
Total invested assets		7,804.4	7,528.7
Other assets			
Cash and cash equivalents		664.9	280.8
Premiums receivable:			
Current		318.5	182.8
Accrued		1,859.5	1,825.5
Reinsurance assets:			
Underwriting reserves	11	1,337.8	1,718.6
Insurance balances receivable, net		233.5	224.0
Funds held by reinsureds		1,721.3	1,374.0
Deferred policy acquisition costs		484.7	380.1
Deferred income taxes	13	78.3	345.1
Other assets	8	439.7	495.0

Total assets		14,942.6	14,354.6
Liabilities and equity			
Liabilities			
Losses and loss adjustment expenses, gross	9	8,776.9	7,842.8
Unearned premiums, gross	11	1,312.3	1,467.4
Future life benefits, gross	11	545.8	483.5
Other reinsurance liabilities		1,375.3	1,087.3
Funds held under reinsurance contracts		379.3	529.8
Deferred income taxes	13	157.2	158.3
Accrued expenses and other liabilities		284.7	311.6
Debt	12	390.9	390.6
Total liabilities		13,222.4	12,271.3
Equity			
Common stock CHF 5 nominal value, 146,689,462 shares issued, (146,272,886 shares outstanding), respectively, CHF 10 nominal value, 40,006,217 shares issued, (39,775,620 shares outstanding)	16	554.9	253.0
Additional paid-in capital		1,430.6	1,326.7
Treasury stock, (416,576 and 230,597 shares, respectively)		7.7	10.0
Unearned stock compensation	15	7.5	6.1
Accumulated other comprehensive income:			
Net unrealized gains on investments, net of taxes	7	116.7	145.3
Cumulative translation adjustments		187.4	116.1
Total accumulated other comprehensive income		304.1	261.4
Retained (deficit) earnings		554.2	258.3
Total equity		1,720.2	2,083.3
Total liabilities and equity		14,942.6	14,354.6

The notes to the consolidated financial statements are an integral part of these financial statements.

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Converium Holding AG and Subsidiaries
Consolidated statements of cash flows

(US$ million) Year ended December 31	2004	2003	2002
Cash flows from operating activities			
Net (loss) income	760.8	185.1	106.8
Adjustments for			
Net realized capital (gains) losses on investments	46.5	18.4	10.3
Amortization of premium/discount	59.1	43.9	20.6
Depreciation and amortization	34.2	30.5	38.2
Impairment of goodwill and deferred tax asset	383.7		
Total adjustments	430.5	56.0	69.1
Changes in operational assets and liabilities			
Deferred policy acquisition costs	82.0	90.5	47.0
Reinsurance assets	443.2	13.6	331.1
Funds held by reinsureds	237.4	307.8	311.2
Funds Withheld Asset	283.8	230.6	100.0
Premiums receivable	98.3	162.2	565.1
Unearned premiums, gross	212.2	204.2	139.0
Losses and loss adjustment expenses, gross	622.1	603.7	744.5
Future life benefits, gross	40.7	85.0	119.7
Funds held under reinsurance contracts	177.4	72.7	38.2
Other reinsurance liabilities	227.1	329.0	280.2
Income taxes, net	29.1	40.3	32.8
Net changes in all other operational assets and liabilities	283.9	5.6	25.7
Total changes in operational assets and liabilities	554.8	1,024.2	694.5

Cash provided by operating activities	224.5	1,265.3	870.4
Cash flows from investing activities			
Purchases of fixed maturities held-to-maturity	228.2	192.4	
Proceeds from sales and maturities of fixed maturities available-for-sale	4,116.0	3,813.4	4,573.3
Purchases of fixed maturities available-for-sale	4,420.2	5,054.0	5,375.3
Cash flows from investing activities (fixed maturities)	532.4	1,433.0	802.0
Proceeds from sales of equity securities	983.1	94.3	599.2
Purchases of equity securities	541.3	244.2	651.1
Cash flows from investing activities (equity securities)	441.8	149.9	51.9
Net (increase) decrease in short-term investments	71.2	277.1	228.5
Proceeds from sales of other assets	82.3	47.4	33.0
Purchases of other assets	115.8	69.4	43.9
Cash flows from investing activities (other)	104.7	255.1	239.4
Net cash used in investing activities	195.3	1,327.8	1,093.3
Cash flows from financing activities			
Issuance of guaranteed subordinated notes			193.7
Net purchases of common shares	6.0	17.3	14.7
Dividends to shareholders	47.8	29.9	
Proceeds from Rights Offering	428.4		
Rights Offering issuance costs	25.1		
Net cash provided by (used in) financing activities	349.5	47.2	179.0
Effect of exchange rate changes on cash and cash equivalents	5.4	29.0	15.1
Change in cash and cash equivalents	384.1	80.7	59.0
Cash and cash equivalents as of January 1	280.8	361.5	420.5
Cash and cash equivalents as of December 31	664.9	280.8	361.5

The notes to the consolidated financial statements are an integral part of these financial statements.

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Converium Holding AG and Subsidiaries
Consolidated statements of changes in equity

(US$ million)

	Common stock	Additional paid-in capital	Treasury stock	Unearned stock compensation	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
Balance, December 31, 2001	253.0	1,336.5		27.1	8.4		1,570.8
Net income						106.8	106.8
Change in net unrealized gains (losses) on investments, net of taxes					83.6		83.6
Translation adjustments					135.8		135.8
Total comprehensive income							159.0
Purchases of common shares			14.7				14.7
Releases of common shares from treasury		12.9	11.4				1.5
Net amortization of stock compensation		7.3		17.1			24.4
Balance, December 31, 2002	253.0	1,330.9	3.3	10.0	60.6	106.8	1,738.0
Net income						185.1	185.1
Change in net unrealized gains (losses) on investments, net of taxes					198.6		198.6
Translation adjustments					2.2		2.2
Total comprehensive income							385.9
Dividends to shareholders						29.9	29.9

Transfer to general legal reserve		3.7				3.7	
Purchases of common shares			17.3				17.3
Releases of common shares from treasury		14.0	10.6				3.4
Net amortization of stock compensation		6.1		3.9			10.0
Balance, December 31, 2003	253.0	1,326.7	10.0	6.1	261.4	258.3	2,083.3
Net loss						760.8	760.8
Change in net unrealized gains (losses) on investments, net of taxes					28.6		28.6
Translation adjustments					71.3		71.3
Total comprehensive loss							718.1
Dividends to shareholders						47.8	47.8
Transfer to general legal reserve		3.9				3.9	
Purchases of common shares			6.0				6.0
Releases of common shares from treasury		8.2	8.3				0.1
Net amortization of stock compensation		11.0		1.4			9.6
Increase in capital due to Rights Offering	428.4						428.4
Decrease of nominal value	126.5	126.5					
Rights Offering issuance costs		29.3					29.3
Balance, December 31, 2004	554.9	1,430.6	7.7	7.5	304.1	554.2	1,720.2

The notes to the consolidated financial statements are an integral part of these financial statements.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements

Schedule of segment data
(US$ million)

	Standard Property & Casualty Reinsurance			Specialty Lines		
Year ended December 31	2004	2003	2002	2004	2003	2002
Gross premiums written	1,617.6	1,795.4	1,542.3	1,777.3	2,022.0	1,650.3
Less ceded premiums written	162.6	149.8	90.1	119.2	210.1	95.0
Net premiums written	1,455.0	1,645.6	1,452.2	1,658.1	1,811.9	1,555.3
Net change in unearned premiums	97.0	15.7	55.5	41.1	148.3	97.3
Net premiums earned	1,552.0	1,629.9	1,396.7	1,699.2	1,663.6	1,458.0
Total investment results	142.3	101.5	98.1	186.1	132.4	125.3
Revenues	1,694.3	1,731.4	1,494.8	1,885.3	1,796.0	1,583.3
Losses, loss adjustment expenses and life benefits	1,246.1	1,113.6	1,065.0	1,689.6	1,241.0	1,166.9
Underwriting acquisition costs	376.8	363.1	310.4	367.9	360.1	292.3
Other operating and administration expenses	83.9	71.0	63.6	73.0	79.7	68.1
Benefits, losses and expenses	1,706.8	1,547.7	1,439.0	2,130.5	1,680.8	1,527.3
Segment (loss) income	12.5	183.7	55.8	245.2	115.2	56.0
Other (loss) income						
Interest expense						
Impairment of goodwill						
Amortization of intangible assets						
Restructuring costs						

(Loss) income before taxes						
Income tax (expense) benefit						
Net (loss) income						
At December 31						
Reinsurance assets underwriting reserves	435.9	553.2	622.8	861.9	989.9	926.5
Losses and loss adjustment expenses, gross	3,602.2	3,231.3	2,774.7	4,961.5	4,427.2	3,898.9
Future life benefits, gross						
Ratios						
Loss ratio (Losses divided by net premiums earned)	80.3%	68.3%	76.3%	99.4%	74.6%	80.0%
Underwriting expense ratio (Underwriting acquisition costs divided by net premiums earned)	24.3%	22.3%	22.2%	21.7%	21.6%	20.0%
Administration expense ratio (Other operating and administration expenses divided by net premiums written)	5.8%	4.3%	4.4%	4.4%	4.4%	4.4%
Combined ratio (Sum of the loss, underwriting expense and administration expense ratios)	110.4%	94.9%	102.9%	125.5%	100.6%	104.4%

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements

Total Non-life consolidated			Life & Health Reinsurance			Corporate Center			Total consolidated		
2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
3,394.9	3,817.4	3,192.6	446.0	406.5	343.2				3,840.9	4,223.9	3,535.8
281.8	359.9	185.1	6.1	37.0	28.5				287.9	396.9	213.6
3,113.1	3,457.5	3,007.5	439.9	369.5	314.7				3,553.0	3,827.0	3,322.2
138.1	164.0	152.8	6.0	13.5	3.9				132.1	150.5	156.7
3,251.2	3,293.5	2,854.7	433.9	383.0	310.8				3,685.1	3,676.5	3,165.5
328.4	233.9	223.4	29.7	17.5	18.1				358.1	251.4	241.5
3,579.6	3,527.4	3,078.1	463.6	400.5	328.9				4,043.2	3,927.9	3,407.0
2,935.7	2,354.6	2,231.9	327.4	319.6	260.1				3,263.1	2,674.2	2,492.0
744.7	723.2	602.7	97.8	80.0	64.0				842.5	803.2	666.7
156.9	150.7	131.7	23.0	12.8	11.3	38.0	34.3	30.3	217.9	197.8	173.3
3,837.3	3,228.5	2,966.3	448.2	412.4	335.4	38.0	34.3	30.3	4,323.5	3,675.2	3,332.0
257.7	298.9	111.8	15.4	11.9	6.5	38.0	34.3	30.3	280.3	252.7	75.0
									2.6	2.7	1.2
									33.1	31.0	16.4
									94.0		
									9.9		
									2.7		
									422.6	224.4	57.4

						338.2	39.3	49.4
						760.8	185.1	106.8
1,297.8	1,543.1	1,549.3	40.0	175.5	78.4	1,337.8	1,718.6	1,627.7
8,563.7	7,658.5	6,673.6	213.2	184.3	147.7	8,776.9	7,842.8	6,821.3
			545.8	483.5	371.7	545.8	483.5	371.7
90.3%	71.5%	78.2%						
22.9%	22.0%	21.1%	22.5%	20.9%	20.6%			
5.0%	4.4%	4.4%	5.2%	3.5%	3.6%			
118.2%	97.9%	103.7%						

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

1. Organization and nature of operations

Converium Holding AG and subsidiaries (Converium) is an international reinsurer whose business operations are recognized for innovation, professionalism and service. We believe we are accepted as a professional reinsurer for all major lines of non-life and life reinsurance in Europe, Asia-Pacific and Latin America. We actively seek to create innovative and efficient reinsurance solutions to complement our target clients business plans and needs. We focus on core underwriting skills and on developing close client relationships while honoring our and our clients relationships with intermediaries.

Converium offers a broad range of traditional non-life and life reinsurance products as well as non-traditional solutions to help its target clients efficiently manage capital and risks. In non-life reinsurance, its lines of business are General Third Party Liability, Motor, Personal Accident (assumed from non-life insurers), Property, Agribusiness, Aviation & Space, Credit & Surety, Engineering, Marine & Energy, Professional Liability and other Special Liability and Workers Compensation. In Life & Health Reinsurance, its lines of business are 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 (the 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 (the IPO), which date represented the legal separation (the Separation Date) from Zurich Financial Services. Zurich Financial Services remaining 12.5% interest in Converium was sold in January 2002.

Subsequent to the Initial Public Offering, Converium has operated as an independent company. However, under the Master Agreement, Converium has several ongoing business relationships with Zurich Financial Services. These include the Quota Share Retrocession Agreement, the Catastrophe Agreement, aggregate excess of loss reinsurance coverage for losses from the Unicover Pool and September 11th terrorist attacks, as well as certain operating relationships (see Notes 11 and 17).

Due to the reserving actions and subsequent lowering of Converium s ratings during 2004, it placed its US reinsurance operations into run-off, which resulted in the discontinuation of writing reinsurance from offices located in North America. Converium, however, offers reinsurance for attractive US-originated business to a limited number of select accounts. This business will be underwritten and managed through Converium AG, Zurich. Converium Reinsurance (North America) Inc. (CRNA) was placed into orderly run-off and Converium is seeking to commute CRNA s liabilities wherever appropriate.

2. Summary of significant accounting policies

Converium s financial statements have been prepared on the basis of accounting principles generally accepted in the United States (US GAAP) and comply with Swiss law.

(a) Basis of preparation

Converium s financial statements present the financial condition as of December 31, 2004 and 2003 and the related statements of income, cash flows and changes in equity for each of the three years in the period ended December 31, 2004.

The financial statements include all companies which Converium, directly or indirectly controls (more than 50% of voting rights). Special purpose entities, irrespective of their legal structure, are consolidated in instances where Converium has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in associated companies (investments of between 20% and 50% in a company s voting rights) and joint ventures are accounted for by using the equity method with Converium recording its share of the associated company s net income and equity.

(b) Foreign currency translation and transactions

Foreign currency translation: In view of the international nature of Converium s business and the fact that more of its business is transacted in US dollars than in any other currency, the financial statements are reported in US dollars. Other functional currencies include the Swiss franc, the UK pound, the Euro and the Japanese yen. Assets and liabilities of all of Converium s branches and subsidiaries expressed in currencies other than US dollars are translated at the end of period exchange rates, whereas statements of income and cash flows are translated at average exchange rates for the period. Translation differences on functional currencies are recorded directly in equity as cumulative translation adjustments, net of any related deferred taxes, if applicable.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Foreign currency transactions: Outstanding balances in foreign currencies arising from foreign currency transactions other than the functional currencies are translated at end of period exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction or a weighted average rate. The resulting exchange differences are recorded in the statements of income.

(c) Non-life reinsurance

Premiums: Premiums from short-duration insurance and reinsurance contracts are recorded as written and are earned primarily on a pro rata basis over the term of the related insurance or reinsurance coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance or reinsurance protection provided. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage. Such reserves are computed by pro rata methods based on statistical data or reports received from ceding companies.

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. During the course of 2004 Converium implemented enhanced procedures for establishing written premium estimates. The new process derives the accrued written and earned premium from our ultimate premium estimates for a period of two years after the expiration of the underlying direct policy. Following this, the cedent s actual reported premiums are used.

Reinsurance contracts are assessed to determine if underwriting risk, defined as the reasonable possibility of a significant variation in the amount of payments and the reasonable possibility that the reinsurer will realize a significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, is transferred by the ceding company. Those contracts that do not transfer both risks, referred to in total as insurance risk, are accounted for using the deposit method. A deposit asset or liability is recognized based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the ceding or assuming company. Deposits for contracts that transfer only significant underwriting risk are subsequently measured based on the unexpired portion of coverage until a loss is incurred, after which the present value of expected future cash flows under the contract is also accrued. Changes in the deposit amount are recorded in the statement of income as a loss or loss adjustment expense. Deposits for contracts that transfer only timing risk, or deposits for contracts that transfer neither significant timing nor underwriting risk, are accounted for using the interest method. Future cash flows are estimated to calculate the effective yield, and revenue and expense are recorded as interest income or expense. The effect of contracts with indeterminate risk is not included in the determination of net income until sufficient information becomes available to reasonably estimate the impact.

Converium recognizes a liability or an asset to the extent that there is an obligation to pay or receive cash or other consideration that would not have been required absent experience under the contract.

Deferred policy acquisition costs: Acquisition costs, principally representing commissions and brokerage expenses, premium taxes and other underwriting expenses, net of allowances from retrocessionaires, which vary with and are directly related to the production of new business, are deferred and amortized over the period in which the related written premiums are earned. Deferred policy acquisition costs are periodically reviewed to determine that they do not exceed recoverable amounts after considering future investment income.

Losses: Losses and loss adjustment expenses are charged to expenses as incurred. Unpaid losses and loss adjustment expenses represent the accumulation of estimates for ultimate losses based on reports and individual case estimates received from ceding companies. An amount is included for losses and loss adjustment expenses incurred but not reported (the IBNR) on the basis of past experience of Converium and its ceding companies. Converium does not discount its loss reserves, other than for settled claims with fixed payment terms.

The methods of determining such loss and loss adjustment expense estimates and establishing the resulting reserves are continually reviewed and updated and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Resulting adjustments are reflected as current expense in the period in which they become known. Since the reserves are based on estimates, the ultimate settlement may vary from the amount provided.

Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

(d) Life reinsurance

Recognition of reinsurance revenue and related expenses: Premiums from short-duration life reinsurance contracts are recognized as revenue over the remaining contract period in proportion to the amount of reinsurance protection provided. Premiums from long-duration life reinsurance contracts are recognized as revenue in a manner consistent with the underlying reinsured contracts. Benefits and commissions are provided against such revenue to recognize profits over the estimated life of the reinsurance contract.

Deferred policy acquisition costs: Acquisition and commission costs incurred in acquiring new business are deferred. Deferred policy acquisition costs are amortized over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the effective date of the contract and are consistently applied throughout the life of the contract unless a premium deficiency occurs. Deferred policy acquisition costs are subject to recoverability testing at the time of contract issue and at the end of each accounting period.

Future life benefits reserves and contract deposits: Liabilities for future life benefit reserves and contract deposits are estimated on bases consistent with those used for the original policies issued and with the terms of the reinsurance contracts.

(e) Retrocessions

Converium cedes reinsurance to retrocessionaires in the normal course of business. The cost of short-duration retrocessional contracts is amortized over the remaining contract period in proportion to the amount of reinsurance protection provided consistent with the underlying assumed contracts. The cost of long-duration retrocessional contracts is amortized over the estimated remaining life of the underlying assumed contracts. The difference, if any, between the amounts paid for the retro-cessional contract and the amount of the liability for contract benefits relating to the underlying reinsured contracts is part of the estimated cost to be amortized. Reinsurance is recorded gross in the balance sheet. Reinsurance assets 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 contract.

Converium establishes an allowance for potentially uncollectible recoverables from retrocessionaires. In addition, Converium immediately charges operations for any recoverable balances that are deemed to be uncollectible. Collateral and other offsets are considered in determining the allowance or expense.

(f) Invested assets

The majority of Converium s fixed maturities and equity securities are classified as available-for-sale; these investments are carried at fair value. Fixed maturities for which Converium has 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 amortized net unrealized gains. Fixed maturities and equity securities, which Converium buys 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. Unrealized gains or losses on investments designated as trading are recognized in current period income.

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 (i) exceed 20% over a period of six months, that (ii) exceed 50% regardless of the period of decline or (iii) 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, Converium impairs 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.

Realized gain or loss on disposals is based on the difference between the proceeds received and the cost or amortized cost of the investment using the specific identification method. The amortization of premium and accretion of discount on investments in fixed maturities is computed using the effective interest method and is recorded in current period income. Dividends on equity securities are recorded as revenue on the ex-dividend date, the date that the dividends become payable to the holders of record.

Real estate held for investment, which is included in the balance sheet under the caption, Other investments , is recorded at depreciated cost and is depreciated on a straight-line basis over 30 years. The gain or loss on disposal is based on the difference between the proceeds received and the carrying value of the investment.

Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Certain partnerships in which Converium has an interest are engaged exclusively in making investments in direct private equity, private equity funds and hedge funds. In the partnerships, these investments are carried at fair value as determined by the fund manager, with changes in fair value being recorded as other income or loss. Investments in hedge funds are recorded at fair value with changes in net asset value flowing through other comprehensive income as a separate component in shareholders equity.

Short-term and other investments are recorded at cost, which approximates fair value. Short-term investments are those with a maturity of greater than three months but less than one year from date of purchase.

The Funds Withheld Asset is carried at the principal balance plus accrued interest. See Notes 7 and 17 for further description.

(g) Derivative instruments

Derivative financial instruments include swaps, futures, forwards and option contracts, which all derive their value from underlying interest or foreign exchange rates, commodity values or equity prices. Derivatives are subject to various risks similar to those related to the underlying financial instruments, including market, credit and liquidity risk.

Derivative instruments are recognized on the balance sheet at fair value. The recognition of changes in the fair value of a derivative depends on its intended use. Derivatives and other financial instruments are used to hedge exposures or modify exposures to interest rate and foreign currency risks. Changes in the fair value of derivatives used in hedging activities are, depending on the nature of the hedge, either recognized in earnings together with the change in fair value of the hedged item attributable to the risk being hedged, or recognized in other comprehensive income until the hedged item affects earnings. For all hedging activities, the ineffective portion of a derivative s change in fair value is immediately recognized in earnings. Derivatives not used in hedging activities are adjusted to fair value through earnings.

Embedded derivatives in insurance contracts and investment contracts are separated from their host contracts and accounted for as derivative instruments under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities.

Converium utilizes foreign exchange swaps as part of its overall currency risk management. The objective is to manage the liquidity situation of Converium s entities in various currencies. There were no foreign exchange swaps outstanding at December 31, 2004 or 2003.

(h) Obligation to repurchase securities

Sales of securities under agreements to repurchase are accounted for as collateralized transactions and are recorded at their contracted repurchase amount plus accrued interest. Converium minimizes the credit risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring customer credit exposure and collateral value and generally requiring additional collateral to be deposited with Converium when deemed necessary.

(i) Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

(j) Fixed assets

Fixed assets, which are included in the balance sheet under the caption Other assets , are carried at cost less accumulated depreciation and any necessary write-downs for impairment. The costs of fixed assets are depreciated principally on a straight-line basis over the following estimated useful economic lives: furniture and fixtures five to ten years; computer equipment and software three to five years. Maintenance and repair costs are charged to income as incurred; costs incurred for major improvements are capitalized and depreciated. Gains and losses on disposal of fixed assets are based upon their carrying amount.

(k) Goodwill and intangible assets

SFAS No. 142, Goodwill and Other Intangible Assets, prohibits the amortization of goodwill and intangible assets that have indefinite useful lives, and requires impairment testing of goodwill annually or if any event occurs which would indicate an impairment of goodwill.

SFAS No. 142 requires that goodwill be tested for impairment using a two-step process. The first step is to identify a potential impairment. The second step of the goodwill impairment test measures the amount of the impairment loss, if any, and must be completed by the end of the fiscal year. Intangible assets deemed to have an indefinite life are tested for impairment using a one-step process, which compares the fair value to the carrying amount of the asset as of the beginning of the fiscal year.

Upon application of SFAS No. 142, Converium ceased amortizing goodwill on January 1, 2002.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

(l) Recognition and measurement of long-lived assets

Converium periodically reviews its long-lived assets to determine potential impairment. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized. The recoverable amount is measured using the sum of the asset s undiscounted estimated future cash flows expected to arise from the use of the asset and from its disposal at the end of its useful life. The impairment loss is measured as the difference between the carrying amount of the asset and its fair value. Fair value is defined as the market price less cost of disposal. If the market price is not available, fair value is estimated based on the present value of future cash flows.

(m) Income taxes

Taxes on income are accrued in the same periods as the revenues and expenses to which they relate. Deferred income taxes are provided for all temporary differences, which are based on the difference between financial statement carrying amounts and income tax bases of assets and liabilities using enacted local income tax rates and laws, and for loss carryforwards. A valuation allowance is recorded to reduce a deferred tax asset to that amount that is expected to be realized.

(n) Employee benefits

Converium provides employee retirement benefits under principally two types of arrangements: defined benefit plans providing specified benefits and defined contribution plans. The assets of these plans are principally held separately from Converium s general assets in trustee-administered funds.

Defined benefit plan obligations and contributions are determined periodically by qualified actuaries using the projected unit credit method. Converium s expense related to defined benefit plans is accrued over the employees service periods based upon the actuarially determined cost for the period. Actuarial gains and losses are normally spread over the average remaining service lives of employees. Contributions to defined contribution pension plans are charged to income as they become due.

Converium recognizes the expense related to incentive plans over the relevant performance period. With regard to share-based compensation, Converium uses the fair-value-based method of accounting. Expense recorded for share-based compensation takes into account the exercise price as of the grant date in determining the fair value of the shares or options to be awarded.

(o) Restructuring costs

Restructuring costs relating to employee service termination are measured initially at the communication date based on the fair value of the liability as of the termination date. Converium recognizes the liability ratably over the future service period of employees. Restructuring costs associated with changing the provisions of an existing lease are recognized and measured at fair value in the period in which the liability occurs.

(p) New accounting pronouncements

The following new standards have been or will be required to be adopted by Converium in the future:

SFAS 123 (revised 2004), Share-Based Payment

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment . This Statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees . This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. For public entities, this Statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. As Converium has already adopted the standards of SFAS No.123, this statement is not expected to have a material impact on the financial condition or results of operations.

SFAS 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postre-tirement Benefits an amendment of FASB Statements No. 87, 88 and 106 . This Statement retains the disclosures required by SFAS No. 132, Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106 , which standardized the disclosure requirements for pensions and other postretirement benefits to the extent practicable and requires additional information on changes in the benefit obligations and fair values of plan assets. Additional disclosures have been added in response to concerns expressed by users of financial statements; those disclosures include information describing the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and components of net periodic benefit cost recognized during interim periods. This statement is effective for financial statements with fiscal years ending after December 15, 2003, with interim-period disclosures effective for interim periods beginning after December 15, 2003. This statement has been adopted for all of Converium s plans. See Note 14 for additional information.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

In December 2003, *the Medicare Prescription Drug, Improvements and Modernization Act of 2003 (The Medicare Act)* was approved in the United States. The Medicare Act expands prescription drug coverage under Medicare. As CRNA s retiree medical coverage is very limited, the Medicare Act did not have a material impact on the financial condition or results of operations.

FASB Interpretation 46, Consolidation of Variable Interest Entities an interpretation of ARB No. 51

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46), which requires an enterprise to assess whether consolidation of an entity is appropriate based upon its interests in a variable interest entity (the VIE). A VIE is an entity in which the equity investors do not have the characteristics of a controlling financial interest, or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The initial determination of whether an entity is a VIE shall be made on the date at which an enterprise becomes involved with the entity. An enterprise shall consolidate a VIE if it has a variable interest that will absorb a majority of the VIE s expected losses if they occur, receive a majority of the entity s expected residual returns if they occur, or both. FIN 46 was effective immediately for new VIEs established or purchased subsequent to January 31, 2003. The adoption of FIN 46 did not have a material impact on Converium s consolidated financial condition or results of operations, as there were no VIEs identified which required consolidation.

In December 2003, the FASB issued a revised version of FIN 46 (FIN 46(R)), which incorporates a number of modifications and changes made to the original version. FIN 46(R) replaces the previously issued FIN 46 and, subject to certain special provisions, is effective no later than the end of the first reporting period that ends after December 15, 2003 for entities considered to be special-purpose entities and no later than the end of the first reporting period that ends after March 15, 2004 for all other VIEs. Early adoption is permitted. Converium adopted FIN 46(R) at December 31, 2003. The adoption of FIN 46(R) did not result in the consolidation of any VIEs.

Converium has performed an evaluation of the catastrophic protection counter-party agreement with Helix 04 Limited, issued in the second quarter of 2004, to establish whether Converium is the primary beneficiary of the VIE which issued the securities. Management has concluded that Converium is not the primary beneficiary of the VIE (see Note 11).

EITF Issue 03-1, The Meaning of Other-than-temporary Impairment and Its Application to Certain Investments (EITF 03-1).

On September 30, the FASB delayed the effective date for the measurement and recognition guidance included in paragraphs 10 through 20 of EITF Issue 03-1. The adoption of EITF 03-1 did not have a material impact on the financial condition or results of operations.

(q) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Therefore, actual results could differ from those estimates.

3. Run-off of North American operations

Converium has ceased the writing of substantially all business generated by Converium Reinsurance (North America), Inc. (CRNA) in North America and has decided to take the following additional steps with respect to its North American business:

- CRNA has been placed into run-off and will seek to commute its liabilities wherever appropriate. In addition, CRNA has hired an experienced run-off professional as its new President and CEO and has restructured its senior level staffing to function as an entity in run-off;
- Converium implemented a fronting arrangement to enable it to continue to participate in the Global Aerospace Underwriting Managers Limited (GAUM) pool;
- Converium Insurance (North America) Inc. (CINA) is now a limited writer, offering continuing coverage for only two discrete primary programs, one of which is mandated by state law. The plan is for CINA to maintain this status until such time as it becomes a wider accepted carrier for its clients; and
- Converium will offer reinsurance for US-origin business to select US-based clients. This business will be underwritten and managed through Converium AG, Zurich.

The recent ratings downgrades, as well as Converium s decision to place CRNA into run-off, have triggered special funding clauses in CRNA s and CINA s reinsurance and insurance contracts. These clauses require CRNA and CINA to provide collateral for their payment obligations under those contracts. In addition, state insurance regulators may request that CRNA and CINA make special deposits in their states or provide collateral for contracts issued to residents of their states (see Note 22).

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The following table shows the results for CRNA for the years ended December 31, 2004, 2003 and 2002:

(US$ million)	2004	2003	2002
Gross premiums written	572.9	1,401.2	1,206.9
Loss before income taxes	459.0	44.6	67.3
Net loss	714.6	64.5	36.8

4. Restructuring costs

In September 2004, as a result of the announced run-off of CRNA operations, Converium notified certain of its employees that their employment would be terminated between two to six months after such notification. For the year ended December 31, 2004, US$ 2.7 million has been expensed primarily due to the costs associated with these severance plans. CRNA is currently evaluating certain of its office leases, and a plan for reduced office space is expected to be approved in 2005 resulting in additional restructuring costs (see Note 26). Additionally, Converium is currently evaluating the cost base of its non-US operations, and a plan for cost reductions is expected to be approved in early 2005 resulting in additional restructuring costs. Converium did not incur any restructuring cost during 2003 or 2002.

5. Foreign currency translation and transactions

Table 5.1 summarizes the principal exchange rates, which have been used for translation purposes (US dollar per foreign currency unit). Net realized (losses) gains on foreign currency transactions were US$ (5.8) million, US$ (1.8) million and US$ 1.4 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Table 5.1	Balance sheets		Statements of (loss) income and cash flows		
Exchange rates against US$	2004	2003	2004	2003	2002
UK pound	1.9199	1.7804	1.8324	1.6349	1.5031
Euro	1.3593	1.2531	1.2439	1.1317	0.9453
100 Japanese yen	0.9759	0.9352	0.9254	0.8637	0.7998
Swiss franc	0.8794	0.8033	0.8059	0.7441	0.6446

6. Segment information

The primary measure of segment information, as reflected in the Schedule of Segment Data, is segment (loss) income, defined as (loss) income before other (loss) income, interest expense, impairment of goodwill, amortization of intangible assets, restructuring costs and income taxes.

Converium s segment structure centers on global lines of business. The three global business segments by which Converium sets strategy and measures results are Standard Property & Casualty Reinsurance, Specialty Lines, and Life & Health Reinsurance. The lines of business by segment are as follows:

Standard Property & Casualty Reinsurance: General Third Party Liability, Motor, Personal Accident (assumed from non-life insurers) and Property.

Specialty Lines: Agribusiness, Aviation & Space, Credit & Surety, Engineering, Marine & Energy, Professional Liability and other Special Liability, and Workers Compensation.

Life & Health Reinsurance: Life and Disability, and Accident and Health.

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.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Converium accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

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Table 6.1 below shows net premiums written by line of business.

Table 6.1
Net premiums written by line of business

(US$ million) Year ended December 31	2004	2003	2002
Standard Property & Casualty Reinsurance:			
General Third Party Liability	361.4	335.0	337.7
Motor	484.8	488.5	453.5
Personal Accident (assumed from non-life insurers)	27.1	35.1	35.0
Property	581.7	787.0	626.0
Total Standard Property & Casualty Reinsurance	1,455.0	1,645.6	1,452.2
Specialty Lines:			
Agribusiness	126.9	90.0	22.0
Aviation & Space	404.5	341.8	365.3
Credit & Surety	171.1	236.0	200.1
Engineering	111.9	139.9	116.1
Marine & Energy	86.2	95.3	94.3
Professional Liability and other Special Liability	531.7	598.0	536.9
Workers Compensation	225.8	310.9	220.6
Total Specialty Lines	1,658.1	1,811.9	1,555.3
Total non-life reinsurance	3,113.1	3,457.5	3,007.5
Life & Health Reinsurance:			
Life and Disability	243.4	162.1	154.7
Accident and Health	196.5	207.4	160.0
Total Life & Health Reinsurance	439.9	369.5	314.7

Total	3,553.0	3,827.0	3,322.2

Table 6.2 below shows gross premiums written by geographic area of ceding company. Gross premiums written reflect the markets where the business is originally produced.

Table 6.2
Gross premiums written by geographic area of ceding company

(US$ million) Year ended December 31	2004	2003	2002
United Kingdom*	1,005.9	1,083.0	910.4
Germany	389.6	286.9	176.1
France	158.2	160.5	106.9
Italy	162.2	131.2	84.0
Rest of Europe	379.9	338.8	224.0
Far East	238.5	266.4	191.9
Near and Middle East	124.3	134.3	124.3
North America	1,252.3	1,671.1	1,553.2
Latin America	130.0	151.7	165.0
Total	3,840.9	4,223.9	3,535.8

* Premiums from the United Kingdom include business assumed through GAUM and Lloyd s syndicates for such lines of business as aviation and space as well as marine, where the exposures are worldwide in nature. Therefore, geographic location of the ceding company may not necessarily be indicative of the location of risk.

In 2004, two reinsurance intermediaries produced approximately 12% and 9% of Converium s gross premiums written. The revenues from these reinsurance intermediaries were produced across all of the segments. The same two reinsurance intermediaries produced approximately 12% and 11% in 2003, and 13% each in 2002, respectively, of Converium s gross premiums written. No ceding company accounted for more than 10% of Converium s revenues for any of the three years ended December 31, 2004.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

7. Invested assets and investment income

Table 7.1
Investment income
(US$ million)

Year ended December 31	2004	2003	2002
Investment income:			
Fixed maturities	201.3	121.0	132.7
Equity securities	11.5	11.4	14.5
Short-term investments and cash and cash equivalents	8.0	7.5	12.9
Real estate	9.4	11.5	11.5
Other	19.6	7.0	11.0
Funds Withheld Asset	75.1	85.6	81.1
Total investment income	324.9	244.0	263.7
Investment expenses	11.6	8.0	6.1
Real estate expenses	1.7	3.0	5.8
Net investment income	311.6	233.0	251.8

The Funds Withheld Asset (see Note 17) was US$ 1,305.1 million and US$ 1,530.6 million as of December 31, 2004 and 2003, respectively. Net investment income on the Funds Withheld Asset is based on a weighted average interest rate similar to that of a bond portfolio.

Table 7.2
Net realized capital gains and losses
(US$ million)

Year ended December 31	2004	2003	2002
Fixed maturities:			
Realized capital gains	23.9	46.1	145.9
Realized capital losses	18.2	11.3	57.9

Equity securities:			
Realized capital gains	61.2	9.1	37.5
Realized capital losses	10.0	1.7	90.4
Write-down of impaired investments	6.2	27.4	48.3
Other	4.2	3.6	2.9
Net realized capital gains (losses)	46.5	18.4	10.3

In 2004, Converium s realized capital gains increased by US$ 28.1 million to US$ 46.5 million, primarily resulting from sales of equity securities to adjust its asset allocation to reduce investment portfolio risks.

In 2003, realized capital gains on sales of fixed income investments in order to reduce the duration of Converium s bond portfolio were mostly offset by realized losses and impairment charges.

In 2003, Converium created a portfolio of held-to-maturity government bonds totaling US$ 500.4 million (10.2% of the 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.

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.

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Table 7.3
Unrealized investment gains and losses
(included in other comprehensive income)

(US$ million)	Net change for the year ended December 31 2004	2003	2002	Total as of December 31 2004	2003
Fixed maturities held-to-maturity	4.3	14.1		9.8	14.1
Fixed maturities available-for-sale	0.9	8.0	11.2	26.7	25.8
Equity securities available-for-sale	24.2	148.1	75.7	70.3	94.5
Hedge funds	2.5			2.5	
Less amounts of net unrealized investment gains (losses) attributable to: Net deferred income taxes	3.5	5.9	31.2	7.4	10.9
Foreign currency effect		50.3	50.3		
Total	28.6	198.6	83.6	116.7	145.3

Table 7.4
Investments in fixed maturities
and equity securities

(US$ million) As of December 31	Cost or amortized cost 2004	2003	Gross unrealized gains 2004	2003	Gross unrealized losses 2004	2003	Estimated fair value 2004	2003
Held-to-maturity								
Fixed maturities:								
Transferred in:								
US government	414.2	294.0		6.2	11.3		402.9	300.2
Other governments	15.3	14.0	0.5	0.1			15.8	14.1
Newly invested:								
US government	170.1	169.8	0.9	1.8	0.2		170.8	171.6

Other governments	250.8	22.6	3.7			0.8	254.5	21.8
Total held-to-maturity	850.4	500.4	5.1	8.1	11.5	0.8	844.0	507.7
Available-for-sale								
Fixed maturities:								
US government	1,765.6	1,728.0	9.1	13.6	11.6	8.0	1,763.1	1,733.6
Other governments	1,769.3	1,163.4	15.7	3.8	2.0	2.6	1,783.0	1,164.6
Corporate and other debt securities	661.1	671.6	13.4	12.7	2.4	3.4	672.1	680.9
Mortgage and asset-backed securities	612.2	839.4	5.7	11.5	1.3	1.8	616.6	849.1
Total	4,808.2	4,402.4	43.9	41.6	17.3	15.8	4,834.8	4,428.2
Equity securities	338.0	745.7	73.0	96.2	2.5	1.7	408.5	840.2
Total available-for-sale	5,146.2	5,148.1	116.9	137.8	19.8	17.5	5,243.3	5,268.4

In 2003, a reclassification within accumulated other comprehensive income of US$ 18.7 million was made between net unrealized gains (losses) on investments and cumulative translation adjustments; this reclassification had no impact on accumulated other comprehensive income or total equity.

The following table presents the continuous periods during which investment positions were carried at an unrealized loss as of December 31, 2004:

Table 7.5
Maturities of unrealized investment losses on fixed maturities and equity securities

		Gross unrealized losses		
(US$ million) As of December 31, 2004	Estimated fair value	Less than one year	Greater than one year	Total gross unrealized losses
Held-to-maturity				
Fixed maturities	91.6	11.2	0.3	11.5
Available-for-sale				
Fixed maturities	1,989.2	15.8	1.5	17.3
Equity securities	31.9	2.5		2.5

Total available-for-sale	2,021.1	18.3	1.5	19.8

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The estimated fair values and carrying values of fixed maturities are shown by contractual maturity below. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Table 7.6
Fixed maturity schedule by maturity

(US$ million) As of December 31, 2004	Estimated fair value Available-for-sale (AFS)	% of total AFS	Carrying value Held-to-maturity (HTM)	% of total HTM
Less than one year	182.5	3.8	15.9	1.9
One year through five years	2,871.8	59.4	450.8	53.0
Five years through ten years	923.2	19.1	353.5	41.6
Over ten years	91.8	1.9	30.2	3.5
Subtotal	4,069.3	84.2	850.4	100.0
Mortgage and asset-backed securities	616.6	12.7		
Unit trust bonds	148.9	3.1		
Total	4,834.8	100.0	850.4	100.0

At December 31, 2004 and 2003, real estate held for investment of US$ 138.8 million and US$ 130.2 million, respectively, net of accumulated depreciation of US$ 9.5 million and US$ 5.8 million, respectively, consists primarily of investments in residential and commercial rental properties located in Switzerland, acquired in late 2001 from subsidiaries of Zurich Financial Services. The fire insurance value of Converium s real estate held for investment and fixed assets totaled US$ 237.5 million and US$ 222.7 million at December 31, 2004 and 2003, respectively.

There are no investments in any entity in excess of 10% of equity at December 31, 2004 and 2003, other than investments issued or guaranteed by the US or sovereign governments or their agencies. Cash and investments with a carrying value of US$ 282.1 million and US$ 234.6 million were deposited in trust or with regulatory authorities as of December 31, 2004 and 2003, respectively.

Converium utilizes foreign exchange swaps as part of its overall currency risk management. The objective is to manage the liquidity situation of Converium s entities in various currencies. There were no foreign exchange swaps outstanding at December 31, 2004 or 2003.

As of December 31, 2004, Converium reported total investments including cash and cash equivalents of US$ 7,164.2 million, of which (i) US$ 1,060.8 million were pledged as collateral relating to outstanding letters of credit of US$ 955.7 million of the US$ 1.6 billion Syndicated Letter of Credit Facility, (ii) US$ 704.7 million were pledged as collateral relating to other irrevocable letters of credit, (iii) US$ 109.3 million were pledged primarily as deposits with French cedents, and (iv) US$ 562.1 million were pledged to support Converium-internal reinsurance transactions.

8. Goodwill and other intangible assets

Goodwill was US$ 49.2 million and US$ 140.2 million, at December 31, 2004 and 2003, respectively. The carried value of other intangible assets was US$ 20.6 million and US$ 24.7 million at December 31, 2004 and 2003, respectively. Goodwill and other intangible assets are included in the balance sheet under the caption Other assets .

During August 1997, Zurich Financial Services acquired all the remaining equity interests in CRNA then not owned by Zurich Financial Services. The acquisition of the minority interest in CRNA was accounted for as a purchase. Accordingly, the excess of the consideration paid in exchange for the minority interest over the fair value of the net assets attributable to the minority interest of US$ 94.0 million was recorded as goodwill.

SFAS 142, Goodwill and Other Intangible Assets , requires impairment testing of goodwill annually or more regularly if any event or change in business circumstances occurs which would indicate that the carrying value of goodwill may be impaired. SFAS 142 also requires that useful lives for intangible assets other than goodwill be reassessed and the remaining amortization periods be adjusted accordingly.

Due to the reserving actions in 2004 in respect of prior year development in the Specialty Lines segment s business written in North America, and a subsequent decision to take a full valuation allowance against the net deferred tax asset at CRNA, a goodwill impairment test was conducted to assess the fair value of the reporting unit. As a result of this assessment, an impairment charge of US$ 94.0 million was recorded as at June 30, 2004, representing all goodwill relating to CRNA. There were no intangible assets recorded on the CRNA balance sheet; therefore there was no requirement to perform impairment testing on intangible assets at CRNA as of June 30, 2004.

In March 2003, upon receipt of all regulatory approvals, Converium finalized an agreement to acquire a 25% stake in Global Aerospace Underwriting Managers Limited (GAUM), a leading international commercial and general aviation-underwriting agency, as a part of its strategy to strengthen its long-term position in the aviation and space line of business. Under the terms of the sale and purchase agreement, Converium has paid an initial consideration of GBP 14.2 million (US$ 22.4 million) and is

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additionally obligated to pay deferred consideration associated with the underlying performance of GAUM s in-force business. In view of a capped limit on deferred consideration, the maximum amount payable by Converium for the 25% stake in GAUM is GBP 20.8 million (US$ 32.7 million). Converium as a shareholder also provided a loan to GAUM in the amount of GBP 12.6 million (US$ 19.8 million).

In February 2004, Converium AG finalized a Sale and Purchase Agreement with Royal and Sun Alliance (RSA) to acquire a further 5.1% stake in GAUM, which increased its overall stake in GAUM to 30.1%. Included within the Sale and Purchase Agreement is a requirement for Converium AG to replace an existing loan from RSA in the amount of GBP 2.5 million (US$ 4.5 million).

At December 31, 2004, the current value of the amortizable intangible asset associated with the 30.1% stake in GAUM is GBP 11.2 million (US$ 20.6 million). The intangible asset relates to established customer relationships of GAUM and was initially intended to be amortized over a useful life of ten years. At December 31, 2003 the value of the intangible asset associated with the 25% stake in GAUM was GBP 13.9 million (US$ 24.7 million).

In the light of changing business circumstances associated with Converium s S & P rating downgrade, Converium entered into fronting agreements with Munich Re and National Indemnity in order to support and sustain the aviation business from GAUM. The fronting agreements currently extend to September 30, 2005 with no contractual guarantee that they will be extended beyond this date. In view of this fact Converium management have reassessed the remaining useful life of the intangible asset to be less than one year so that the intangible asset will be amortized until September 30, 2005, the date of cessation of the existing fronting agreement. As a result of this change, we recorded an additional amortization charge of GBP 3.7 million (US$ 6.8 million) in the fourth quarter of 2004, resulting in a charge of US$9.9 million for the year.

At December 31, 2004, the current carried value of goodwill associated with the 30.1% stake in GAUM is GBP 13.1 million (US$ 25.2 million). At December 31, 2003, the current carried value of goodwill associated with the 25.0% stake in GAUM was GBP 11.4 million (US$ 18.4 million). An annual goodwill impairment test was carried out at December 31, 2004 in respect of the 30.1% investment in GAUM and it is considered that no impairment is warranted as of December 31, 2004. Converium will reassess whether any impairment is warranted as and when there is a change in current business circumstances including a final decision as to whether the fronting arrangements with Munich Re and National Indemnity will be extended beyond the current ending date of September 30, 2005.

The remaining balance of goodwill as of December 31, 2004 relates to Converium AG s 49.9% strategic investment in the Medical Defence Union Services Ltd (MDUSL) executed during 2000. Upon application of SFAS No. 142, Converium ceased amortizing goodwill in respect of MDUSL effective January 1, 2002. Converium has conducted its normal impairment test in respect of MDUSL in the fourth quarter of 2004. This business continues to perform in line with management s expectations and accordingly no impairment is considered appropriate as of December 31, 2004.

See Notes 3 and 18 for additional information on GAUM. See Note 18 for additional information on the Medical Defence Union (the MDU) and MDUSL.

9. Losses and loss adjustment expenses

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserve for losses and loss adjustment expenses is determined on the basis of information currently available; however, it is inherent to the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

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Table 9.1
Reserves for losses and loss adjustment expenses

(US$ million)	2004	2003	2002
As of January 1			
Gross reserves for losses and loss adjustment expenses	7,842.8	6,821.3	5,710.5
Less reinsurance recoverable	1,385.4	1,459.8	1,545.0
Net reserves for losses and loss adjustment expenses	6,457.4	5,361.5	4,165.5
Loss and loss adjustment expenses incurred			
Current year	2,865.4	2,527.9	2,186.8
Prior years	342.5	31.3	148.5
Total	3,207.9	2,496.6	2,335.3
Losses and loss adjustment expenses paid			
Current year	498.1	324.7	299.4
Prior years	1,766.4	1,464.7	1,095.5
Total	2,265.4	1,789.4	1,394.9
Foreign currency translation effects	240.7	388.7	255.6
As of December 31			
Net reserves for losses and loss adjustment expenses	7,641.5	6,457.4	5,361.5
Reinsurance recoverable	1,135.4	1,385.4	1,459.8
Gross reserves for losses and loss adjustment expenses	8,776.9	7,842.8	6,821.3

Prior years loss and loss adjustment expenses incurred in 2004 of US$ (342.5) million net were primarily driven by reserve strengthening of (US$ 562.0 million) and the impacts on losses and loss adjustment expenses incurred of (i) adjustments of ultimate premium estimates (US$ 206.4 million) (see Note 11), (ii) the commutation of the stop-loss protection regarding underwriting year 2001 of the professional liability business generated through our joint venture with MDU (US$ (10.5) million), and (iii) the reduction of reinsurance recoverables of (US$ (12.0) million), which is offset by the effect of commutations.

Converium has experienced significant adverse development predominantly in its US casualty reinsurance lines for the last several years. Since 2000, Converium has recorded a total of US$ 868.2 million of additional net provisions on prior years non-life business (2000: US$ 65.4 million; 2001: US$ 123.6 million; 2002: US$ 148.5 million; 2003: US$ (31.3) million; and 2004: US$ 562.0 million).

During early 2004, Converium announced that reported losses from prior years US casualty business had exceeded expected loss emergence and that the volatility of longer-tail risks was likely to persist for some time. This adverse loss-reporting trend continued and accelerated into mid-2004 and prompted Converium to initiate additional reviews of its US business from an integrated underwriting, claims and actuarial perspective in order to examine the adequacy of prior years provisions. In addition, in order to obtain an external review of our overall reserve position, Converium commissioned the actuarial consulting firm Tillinghast-Towers Perrin to perform an independent actuarial review of our non-life loss and allocated loss adjustment expense reserves as of June 30, 2004 in respect of the Zurich and New York originated businesses. The outcome of these in-depth internal and external reviews resulted in an aggregate strengthening of prior years non-life loss reserves by US$ 562.0 million for the year ended December 31, 2004. This action was taken in response to the continued adverse loss emergence due to increased claims reporting activity from clients relating to US casualty business written from 1997 to 2001 as well as deterioration from European non-proportional motor business written in recent years. While Converium believes that it has fully addressed this issue through our reserving actions, volatility is expected to persist for some time.

In the Standard Property & Casualty Reinsurance segment, the development of prior years reserves of US$ 73.5 million primarily related to adverse developments of General Third Party Liability (US$ 116.3 million), motor liability outside the United States (US$ 91.7 million) and Personal Accident (non-life) (US$ 8.1 million), which was partially offset by positive developments related to property (US$ 82.1 million) and miscellaneous liability (US$ 60.5 million) that also included the impact of whole account retrocessions. In the Specialty Lines segment, the development of prior years reserves of US$ 488.5 million primarily related to adverse developments of the Professional Liability and other Special Liability lines (US$ 449.3 million), particularly excess & surplus lines and umbrella, Workers Compensation (US$ 55.3 million), and Engineering (US$ 12.9 million). These adverse developments in the Specialty Lines were partially offset by positive developments related to Aviation & Space (US$ 24.5 million), Agribusiness (US$ 0.7 million), and Credit & Surety (US$ 3.8 million).

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In 2003, the positive development of US$ 31.3 million consisted of positive development on the property (US$ 113.5 million) and aviation and space (US$ 102.2 million) lines of business, offset by adverse development on workers compensation and professional liability and other special liability lines (US$ 120.3 million) and the motor and general third party liability lines (US$ 64.1 million). The reserve releases in 2003 were primarily from the 2002 underwriting year, while the US business written in 1997 to 2001 mostly saw continued strengthening.

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.

The reserves for certain losses and loss adjustment expenses, such as those for settled claims with fixed payment terms, represent the present value estimates of the ultimate cost of all losses incurred but not paid through December 31 of each year. Where applicable, gross reserves of US$ 618.6 million and US$ 594.4 million have been discounted using an average interest rates of 3.5% in 2004 and 2003, respectively. This has reduced reserves by US$ 69.6 million and US$ 65.3 million as of December 31, 2004 and 2003, respectively. In addition, deferred charges relating to retrospective reinsurance and structured settlements totaling US$ 75.9 million and US$ 64.3 million as of December 31, 2004 and 2003, respectively, are included in other assets.

Converium believes that its exposure to environmental impairment liability and asbestos-related claims is relatively small due to the diminutive amount of business written prior to 1987 for Converium AG and CRNA. Additionally, CRNA is protected by a stop loss agreement with Zurich Insurance Company (ZIC), a wholly owned subsidiary of Zurich Financial Services, for business effected prior to June 1, 1993. As of December 31, 2004 and 2003, Converium Rückversicherung (Deutschland) AG had reserves for environmental impairment liability and asbestos-related claims of US$ 49.2 million and US$ 45.8 million, respectively, representing a survival ratio (calculated as the ratio of reserves held, including IBNR, over claims paid over the average of the last three years) of 13.6 years for each year.

Impact of recent hurricanes, typhoons, and the tsunami: In 2004, Converium recorded losses from Hurricanes Charley, Frances, Ivan and Jeanne in the United States and the Caribbean, the typhoons in Japan, and the tsunami in the Indian Ocean of US$ 154.5 million.

September 11th terrorist attacks

As of December 31, 2004, Converium recorded gross and net incurred losses and loss adjustment expenses related to the September 11th terrorist attacks as follows:

Segment (US$ million)	Gross losses	Retrocessional reinsurance recoveries	Net losses
Standard Property & Casualty Reinsurance	263.7	155.2	108.5

Specialty Lines	380.0	211.3	168.7
Life & Health Reinsurance	20.0	8.0	12.0
Total	663.7	374.5	289.2

Included in the reinsurance recoveries above are US$ 133.3 million due from Zurich Financial Services and subsidiaries.

Certain arrangements with Zurich Financial Services described below provide protection against potential adverse loss development on the September 11th terrorist attacks for Converium AG, Converium Rückversicherung (Deutschland) AG and CRNA above the initial loss amounts recorded of US$ 289.2 million, net of retrocessional reinsurance recoveries.

In December 2004, a federal jury in New York concluded that the two planes that crashed into the World Trade Center during the attacks of September 11th, for insurance purposes, represented two separate attacks. This ruling increased Converium s gross losses and loss adjustment expenses by US$ 8.7 million, but as Converium s losses are capped at US$ 289.2 million by Zurich Financial Services, this ruling did not have an effect on Converium s net loss position. In 2004, 2003 and 2002, there was no additional development in net reserves for the September 11th terrorist attacks.

Converium AG s exposure under the Quota Share Retrocession Agreement (see Note 17) is limited for Extraordinary Events . The agreement limits Converium AG s losses arising out of any Extraordinary Event to US$ 220.0 million and the parties have agreed that the September 11th terrorist attacks are an Extraordinary Event and that the US$ 220.0 million limit applies to losses arising out of the September 11th terrorist attacks. Because ZIC and Zurich International Bermuda Ltd (ZIB), wholly

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owned subsidiaries of Zurich Financial Services, retain losses in excess of the limit, Zurich Financial Services will be responsible for non-payment, if any, by the retrocessionaires with regard to losses arising out of the September 11th terrorist attacks in excess of the US$ 220.0 million limit.

ZIC will indemnify Converium Rückversicherung (Deutschland) AG for losses arising out of the September 11th terrorist attacks in excess of US$ 11.0 million, net of retrocessional reinsurance recoveries.

CRNA is covered under the ZIC 1997 Aggregate Excess of Loss Agreement for losses in excess of US$ 58.2 million. In addition, ZIC will indemnify CRNA against loss development in excess of the available limits under the ZIC 1997 Aggregate Excess of Loss Agreement. See Note 17 for further information.

10. Guaranteed Minimum Death Benefit (GMDB)

Converium assumed certain retrocession liability with regard to Guaranteed Minimum Death Benefit (GMDB) features attached to variable annuity policies written in the United States. These treaties are all in run-off and cover in total 1.5 million policies that were issued mainly in the late 1990 s and that incorporate various benefit types originating from different primary insurers. Claims occur in the event of death if a policy is in-the-money, which means that the GMDB exceeds the account balance. Under these circumstances, the difference between the GMDB and the account balance or the GMDB and the cash surrender value becomes due, depending on the definition of the underlying reinsurance agreements.

The following types of Guaranteed Minimum Death Benefits are covered:

Return of premium: The GMDB is the amount of total deposits adjusted for partial withdrawals, if any.

Ratchet: After a given number of years, the GMDB is adjusted to the current account balance, if greater. Most common is a one-year ratchet, meaning that the GMDB is adjusted annually on the policy s anniversary date.

Rollup: The GMDB increases each year from the initial premium adjusted for later deposits and partial withdrawals by a fixed percentage. Rollup guarantees reinsured under Converium s agreements grant an annual accumulation percentage between 3% and 7%. In many products, especially for higher rollup percentages, an upper limit applies (e.g. 200% of the paid policy- holder premium adjusted for later deposits and partial withdrawals).

Reset: After a given number of years, the GMDB is adjusted to the current account balance. This means that the GMDB can be reduced but often not below the paid-up premium (adjusted for later deposits and partial withdrawals).

Combinations of the above.

Guarantees that increase over the time are, for a majority of the assumed business, only applied up to a certain age (e.g. 85). For the majority of the portfolio, a maximum death benefit age exists and, as a consequence, Converium will be off the risk afterwards.

Converium does not hold any contract holder funds. These assets remain with the originating ceding companies.

The GMDB liability is determined each period based on the information provided by Converium s ceding companies. The current account value, the guaranteed death benefit and details of the covered benefit types are taken into consideration for the evaluation of the net amount at risk (NAR) and the expected future liability. The liability according to SOP 03-1 is estimated at the end of the reporting period.

For the evaluation of the liabilities, Converium uses an actuarial model that considers 1,000 stochastically generated investment performance scenarios. The mean performance assumed for equities is 9.6% and the mean performance for other investment types such as bonds and cash deposits varies between 4.8% and 5.7%. The corresponding volatility assumptions are 18.3% and 1.5% to 2.2%, respectively. The discount rate used in the model is stochastically generated in line with the other investment scenarios and takes into consideration the current yield level. It is assumed to be an average of 5.7% over the long run. The mortality assumption is 100% of the Annuity 2000 table. Lapse rates vary by duration and range from 6.5% to 20%. Partial withdrawals, either applied pro rata or on a dollar-for-dollar basis according to the policy conditions, are also considered in the modeling. The corresponding parameter, reflecting the on average withdrawn amount of the account value, varies by duration and is assumed to range from 2.4% to 7.5% per annum.

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As of December 31, 2004, the following values were estimated as described above:

Table 10.1

(US$ million)

Guarantee type	Average age	GMDB	Account value	NAR	Gross SOP 03-1 reserve
Ratchet	65.4	2,110.4	1,771.9	407.4	24.7
Rollup	70.1	585.0	405.5	188.7	21.7
Rollup & ratchet	66.7	21.6	18.2	4.9	0.2
Return of premium	63.3	21.5	21.2	2.6	0.1
Reset	58.3	288.4	296.9	23.3	1.1
Reset & return of premium	59.8	131.1	131.0	8.6	0.4
Total	66.5	3,158.0	2,644.7	635.5	48.2

The table below shows the cash flow and claim reserves balances for the periods shown:

Table 10.2
(US$ million)

Year ended December 31	2004	2003	2002
Received reinsurance premium, net of commission and brokerage	5.1	4.5	5.4
Paid losses	13.3	20.4	12.5

As of December 31	2004	2003
Claim reserves (including case reserves and IBNR)	4.9	7.7

For the year ended December 31, 2004 there were no exceptional reserving actions required for the GMDB book of business. In 2003 and 2002, the Life & Health Reinsurance segment strengthened reserves for this closed block of variable annuity business by US$ 20.5 million (to net US$ 56.0 million) and US$ 15.6 million, respectively. As a result of the strong performance of the US stock markets, the GMDB s net amount at risk further decreased to US$ 635.5 million at December 31, 2004 from US$ 809.7 million at December 31, 2003.

In late 2004, Converium entered into an agreement to terminate its US$ 75.0 million GMDB reinsurance protection purchased at the end of 2003, for an amount of US$ 9.7 million giving rise to a net cost of the cover for 2004 of US$ 0.1 million. The primary purpose of this cover was to address the volatility in the United States equity markets and potential adverse deviations to other key assumptions such as mortality risks, lapse rate risks and surrenders.

Although Converium feels that its current carried reserves for its GMDB exposure are adequate, the company will continue to monitor and review other reinsurance and financial product solutions to address the risks associated with this business.

11. Retrocessional reinsurance and catastrophe protection

Retrocessional reinsurance

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, 2004 and 2003, Converium held US$ 559.4 million and US$ 635.3 million, respectively, 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, 2004, recoverables from subsidiaries of Zurich Financial Services total 19.7% of equity. There were no recoverables from any other retrocessionaire that exceeded 10% of equity at December 31, 2004. Allowances of US$ 40.6 million and US$ 35.4 million have been recorded for estimated uncollectible receivables and reinsurance recoverables at December 31, 2004 and 2003, respectively.

National Indemnity Cover

In order to provide additional comfort as regards to Converium s reserve position, Converium has acquired a retroactive stop-loss retrocession cover from National Indemnity Company, a Standard & Poor s AAA-rated member of the Berkshire Hathaway

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group of insurance companies. The stop-loss provides an additional US$ 150.0 million of cover against potential adverse reserve development on the underwriting years 1987 through 2003 for Converium AG, CRNA and CINA. The cover of US$ 150.0 million attaches at US$ 100.0 million in excess of the ultimate third-party net non-life reserves; which are defined as non-life carried losses and allocated loss adjustment expense reserves as of June 30, 2004 plus the expected losses and allocated loss adjustment expenses emanating out of the unearned premium reserves as of June 30, 2004 of the portfolio subject to cover, carried by these legal entities for these underwriting years as of June 30, 2004 and therefore excludes inter-group reinsurance arrangements. The reinsurance charge for this retrocession is US$ 20.0 million and has been recorded in the income statement under the caption Other (loss) income . There are additional consideration features associated with this layer of coverage, which may result in additional consideration of up to US$ 60.0 million being paid in the event that the cover is fully utilized. No losses have been ceded as of December 31, 2004.

In addition, this contract has another layer of coverage of US$ 235.0 million for which a consideration of US$ 135.0 million has been paid. This layer attaches at US$ 235.0 million below the ultimate third-party net non-life reserves on the same underwriting years. The economics of this layer of coverage are such that the reinsurance risk transfer requirements of US GAAP are not met. Accordingly, this protection is accounted for under deposit accounting rules. As a result, there is no material income statement impact for 2004 in respect of this layer of coverage.

Converium has retained the right to commute the whole transaction on July 1, 2009, or thereafter at mutually agreeable terms.

Master Retrocession Agreement

The Life & Health Reinsurance segment s Master Retrocession Agreement for its financing contracts was terminated, resulting in a repayment of the non-amortized financing of US$ 36.9 million. The provisions for this termination led to a realization of a profit of US$ 3.4 million in 2004.

Table 11.1

(US$ million)	Gross		Reinsurance assets		Net of reinsurance	
Year ended December 31	2004	2003	2004	2003	2004	2003
Reserves for losses and loss adjustment expenses	8,776.9	7,842.8	1,135.4	1,385.4	7,641.5	6,457.4
Reserves for unearned premiums	1,312.3	1,467.4	111.7	177.0	1,200.6	1,290.4
Future life benefits	545.8	483.5	90.7	156.2	455.1	327.3
Total underwriting reserves	10,635.0	9,793.7	1,337.8	1,718.6	9,297.2	8,075.1

Table 11.2
Premiums written and earned

(US$ million)	Premiums written			Premiums earned		
For the years ended December 31	2004	2003	2002	2004	2003	2002
Direct premiums	490.9	561.4	88.0	574.1	326.0	77.1
Assumed premiums	3,350.0	3,662.5	3,447.8	3,465.8	3,668.3	3,289.0
Ceded premiums	282.3	387.5	204.2	349.2	308.4	191.2
Catastrophe Agreement	5.6	9.4	9.4	5.6	9.4	9.4
Total	3,553.0	3,827.0	3,322.2	3,685.1	3,676.5	3,165.5

Adjustments of ultimate premium estimates: During the course of 2004 Converium implemented enhanced procedures for establishing written premium estimates. Our processes require underwriters and others to assess the realization of premium estimates on a quarterly basis. This was supplemented at year-end by a detailed review using actuarial techniques, primarily for European non-life business, which compare estimates with actuarially derived amounts using ceding companies actual reported premium information. These analyses resulted in a decrease in net premiums written and earned in the Standard Property & Casualty Reinsurance and Specialty Lines segments in the amount of US$ 219.8 million; after reflecting the impact on accrued underwriting expenses of US$ 16.5 million and losses of US$ 206.4 million, the impact of these adjustments on the technical result was an increase of US$ 3.0 million.

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Table 11.3
Benefits, losses and expenses
(US$ million)

For the years ended December 31	2004	2003	2002
Losses, loss adjustment expenses and life benefits			
Direct	481.4	238.5	124.5
Assumed	2,891.3	2,633.2	2,587.7
Ceded	109.6	197.5	220.2
Total	3,263.1	2,674.2	2,492.0
Underwriting acquisition costs			
Direct	64.9	39.6	24.6
Assumed	821.1	798.5	681.3
Ceded	43.5	34.9	39.2
Total	842.5	803.2	666.7

Catastrophe protection

On June 15, 2004, Converium AG announced the successful private placement of US$ 100.0 million of floating rate notes issued by Helix 04 Limited (Helix 04), a Bermuda special purpose exempted company. By means of a counter-party contract with the issuer, the transaction provides Converium with fully collateralized second and subsequent event protection for North Atlantic hurricane, US earthquake, Japanese earthquake and European windstorm property catastrophe exposures. The notes are triggered only by second and subsequent events in any of the four peril regions during the five-year term of the transaction.

Payments from Helix 04 to Converium AG are based on modeled reinsurance losses on a notional portfolio. In a modeled loss contract, the covered party s aggregate exposure to each geographical region and type of catastrophe, by line of business, is compared to industry-wide data in order to produce the covered party s market share of particular loss events by line of business using commercially available natural catastrophe loss simulation modeling software. The software simulates a catastrophe, at various levels of severity, by generating certain probabilistic loss distributions, in order to calculate industry-wide losses and the corresponding losses for the covered party on a ground-up basis , by line of business. These losses are then compared to the modeled loss contracts to determine the amount of the covered party s recovery in respect of such an event.

The Helix 04 contract is first triggered when notional losses reach US$ 150.0 million. The second trigger is hit when notional losses reach US$ 175.0 million. It then pays out according to a sliding scale of notional losses up to US$ 275.0 million. The amount of losses that must be incurred before coverage applies relates to the type of loss event, e.g. earthquake, hurricane or windstorm.

Converium estimates its gross loss for each of the recent hurricanes and typhoons to be less than the Helix 04 activation threshold of US$ 150.0 million for each such event and therefore Converium will not file a trigger event request in respect of these losses.

The expected annual cost of Helix 04 to Converium AG is approximately US$ 5.6 million. The annual charge to Converium is not impacted by the occurrence of a loss event that is protected by Helix 04, unlike the prior contract in respect of Trinom, where Converium was required to pay higher amounts for the remainder of the term of the contract. The Helix 04 counter-party contract is not treated as reinsurance and accordingly the charge is reflected through other (loss) income although the cost of the counter-party contract is amortized over the term of the contract in a manner similar to reinsurance.

12. Debt

Converium Holdings (North America) Inc. (CHNA) assumed US$ 200.0 million principal amount of non-convertible, unsecured, unsubordinated Senior Notes (the Senior Notes) originally issued during October 1993. The Senior Notes mature in full on October 15, 2023 and bear interest at the rate of 7.125%, payable semiannually in arrears on April 15 and October 15. In 2004, the interest payments regarding the 7.125% non-convertible, unsecured, unsubordinated Senior Notes of CHNA were funded (i) by corresponding dividends of CHNA with regards to the coupon payment of April 15, 2004; and (ii) by Converium AG with regards to the coupon payment of October 15, 2004, due to the dividend restrictions of CHNA (see Note 22).

In December 2002, Converium Finance S.A. issued US$ 200.0 million principal amount of non-convertible, unsecured, guaranteed subordinated notes (the Guaranteed Subordinated Notes). The Guaranteed Subordinated Notes are irrevocably and unconditionally guaranteed on a subordinated basis by each of Converium Holding AG and Converium AG. The Guaranteed Subordinated Notes mature in full on December 23, 2032 and bear interest at the rate of 8.25% paid quarterly in arrears on March 15, June 15, September 15 and December 15.

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Debt issuance costs and discounts were US$ 9.1 million and US$ 9.4 million at December 31, 2004 and 2003, respectively. Such costs are being amortized over the term of the related debt.

13. Income taxes

Table 13.1 below illustrates an overview of the current and deferred tax expense (benefit) for each tax jurisdiction of Converium.

Table 13.1
Income tax expense (benefit)
(US$ million)

For the years ended December 31	2004	2003	2002
Current			
Switzerland	18.2	10.0	23.9
United States	59.3	48.4	
Germany	2.9	2.3	0.2
Total current	80.4	40.7	24.1
Deferred			
Switzerland	32.5	26.5	22.2
United States	207.9	63.9	34.4
Germany	17.4	10.4	16.9
Total deferred	257.8	80.0	73.5
Total income tax expense (benefit)	338.2	39.3	49.4

An expected income tax expense (benefit) is calculated based on the statutory tax rates for Converium. These rates were derived by calculating the weighted average of the expected statutory income tax in relation to the (loss) income generated in the various territories in which Converium operates. Based on the expected income tax expense (benefit), reconciliation is made to the actual income tax expense (benefit).

Table 13.2 below illustrates the factors that cause the actual income tax expense (benefit) to differ from the expected amount computed by applying the expected rate.

Table 13.2
Expected and actual income tax expense (benefit)

(US$ million)

Year ended December 31	2004	2003	2002
(Loss) income before tax	422.6	224.4	57.4
Statutory average tax rate	69.6%	7.0%	24.9%
Expected income tax (benefit) expense	294.0	15.7	14.3
Increase (reduction) in taxes resulting from:			
Dividends received deduction	1.5	3.8	2.9
Non-taxable reinsurance contract			4.9
Branch tax		2.1	0.7
Non-deductible expenses	1.9	3.3	9.1
Tax losses not realizable		37.9	
Tax loss carryforward	614.2	13.6	21.3
Changes in applicable tax rates	1.2	2.8	5.5
Deferred acquisition costs			4.7
Currency translation adjustments			6.7
Hedge Agreement with Converium Finance S.A., Luxembourg	2.3		
Prior year adjustments	7.8		
Goodwill take-down	32.9		
Other	2.6	0.5	1.1
Actual income tax expense (benefit)	338.2	39.3	49.4
Effective tax rate	80.0%	17.5%	86.1%

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The statutory average tax rate of 69.6% is affected by the difference between statutory results relevant for tax calculations and the US GAAP pre-tax results. The primary difference is the handling of the impairment charges recorded in the fourth quarter related to investments in subsidiaries. The charges are reflected in the statutory results for tax calculations, however on a US GAAP basis these charges are eliminated during the consolidation process and are therefore excluded for tax calculation purposes.

Converium s consolidated income tax expense for the year ended December 31, 2004 reflects an additional expense of US$ 269.8 million related to the establishment of a full valuation allowance against the net deferred income tax balances previously carried at CRNA. Converium has not established any additional deferred tax asset related to the losses sustained by CRNA. Additionally, Converium s consolidated income tax expense for 2004 includes an expense of US$ 19.9 million related to the establishment of a valuation allowance against the net operating losses carried forward at Converium AG.

The 2003 consolidated tax expense reflects an increase in the tax loss carryforward due to the retrocession of certain contracts from Germany to Switzerland. This was offset by non-deductible expenses caused by the novation of certain contracts from North America to Switzerland.

The 2002 consolidated tax benefit reflects a one-time benefit of US$ 21.3 million as a result of a ruling Converium AG received from the Swiss tax authorities regarding a tax loss carried forward.

As required under SFAS 109, Accounting for Income Taxes , Converium is required to assess if it is more likely than not that some or all of the net deferred tax assets will not be realized. In making this assessment, reference is made to, among other things, historical losses. Therefore, a full valuation allowance was established against CRNA s net deferred tax assets to reflect the continued net loss position of CRNA. CRNA may offset future taxable income against the existing net operating losses carried forward, resulting in no US federal tax expense on such income until such time as the net operating losses are utilized or expire. In addition, Converium AG presents deferred taxes for timing differences only. Future positive income will offset against net operating losses carried forward and will not cause any income taxes except changes in timing differences. For CRNA and Converium AG positive income will offset against net operating losses carried forward until the net operating losses will expire.

As of December 31, 2004, Converium s valuation allowance on deferred tax assets was US$ 711.9 million, comprising net operating losses carried forward (US$ 571.7 million), loss reserve discount (US$ 110.2 million) and other temporary differences, net (US$ 30.0 million). As of December 31, 2003, the valuation allowance was US$ 47.9 million, all of which related to net operating losses carried forward. As of December 31, 2004, Converium had total net operating losses carried forward of US$ 2,512.5 million available to offset future taxable income of certain branches and subsidiaries. The majority of these net operating losses carried forward relate to CRNA and Converium AG and expire in the years 2020 through 2024 and 2010 through 2011, respectively.

Converium will continue to monitor its tax position and reassess the need for a full valuation allowance on its net deferred tax assets on a periodic basis. Realization of the deferred tax asset related to net operating losses carried forward is dependent upon generating sufficient taxable income within specified future periods. The decision to place CRNA into run-off may limit the ability to generate taxable income to fully utilize its net operating loss carryforwards.

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. The income tax basis of an asset or liability is calculated in accordance with the rules for determining taxable income established by the local taxation authorities. For a particular asset or liability, this may result in a deferred tax asset in one country but a deferred tax liability in another. In addition, a deferred tax asset is established for net operating loss carryforwards. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized.

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Converium s deferred income tax assets and liabilities are reflected in table 13.3 below.

Table 13.3
Deferred income taxes

(US$ million)	2004	2003
Deferred income tax assets		
Loss reserve discount	110.2	110.0
Unearned premium reserve deduction	17.6	36.3
Accruals not currently deductible	20.5	18.4
Partnership loss	2.6	5.5
Net operating loss carryforwards	590.6	175.4
Goodwill	8.1	11.0
Unrealized currency losses	21.4	
Other	19.2	36.4
Total deferred income tax assets	790.2	393.0
Valuation allowance	711.9	47.9
Net deferred income tax assets	78.3	345.1
Deferred income tax liabilities		
Loss and benefit reserves	25.4	31.9
Deferred policy acquisition costs	75.8	71.0
Unrealized appreciation of investments	22.4	9.3
Investments	10.2	12.0
Reinsurance contracts	19.3	17.6
Other	4.1	16.5
Total deferred income tax liabilities	157.2	158.3

Net deferred income tax assets	78.3	345.1
Net deferred income taxes as of December 31	78.9	186.8

The current net income tax payable as of December 31, 2004 was US$ 16.4 million as compared to a current net income tax receivable of US$ 44.1 million at December 31, 2003. In 2003, Converium claimed a refund request for special estimated tax payments made for former years. Respectively, Converium shifted approximately US$ 58.0 million from deferred tax asset into current income tax receivable. In 2004, the Internal Revenue Service denied the refund and consequently, Converium decreased the current income tax receivable accordingly.

Converium s net operating loss carryforwards by expiration date are as follows:

Table 13.4
Net operating loss carryforwards

(US$ million)	Net operating loss carryforward	Deferred income tax asset	Valuation allowance	Net deferred income tax asset
One year through five years	100.1	15.1	15.1	0.0
Over five years	2,412.4	575.5	556.6	18.9
Total as of December 31, 2004	2,512.5	590.6	571.7	18.9

14. Employee benefits

Converium has established a number of benefit plans for its employees. Some employees belong to defined benefit plans and other employees participate in defined contribution plans, providing benefits equal solely to contributions paid plus investment returns.

Personnel costs incurred for 2004, 2003 and 2002 were US$ 131.1 million, US$ 123.9 million and US$ 110.7 million, respectively. The 2004 amount includes US$ 15.7 million of costs related to the retention plans rolled out in September 2004 (see Note 15).

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Employees of certain of Converium s entities are covered under various defined benefit pension plans. Eligibility for participation in these plans is either based on completion of a specified period of continuous service or date of hire. Benefits are generally based on the employees years of credited service and average compensation in the years preceding retirement. Annual funding requirements are determined based on actuarial cost methods. The transition obligation (asset) is being amortized over the greater of either fifteen years or the service period of the employees on a straight-line basis.

The Pension Fund of Converium AG (the Fund) is a foundation whose objective is to insure the personnel of Converium AG against the economic consequences of retirement, disability and death as provided by the statutory provisions of the plan rules. The Fund is a pension fund providing mandatory insurance as required by Swiss Federal Law and is supervised by the Canton of Zurich. The Fund s pension plan is a defined contribution plan in accordance with Swiss Federal Law, but it does not meet the definition of a defined contribution plan pursuant to SFAS No. 87, Employers Accounting for Pensions , because of certain defined benefit elements required by Swiss Federal Law.

The participants contributions to the Fund typically amount to between 7% and 11.5% of the coordinated annual salary (defined as base salary minus coordination amount of 30%) depending on the insured participant s age and 7% of the annual incentive-based salary. By law, the employer s contribution must at least equal the contribution of the participant. Converium AG s contribution typically amounts to between 9% and 16% of the coordinated annual salary and 9% of the incentive-based salary. Converium AG s contributions to the Fund amounted to CHF 8.1 million in 2004 and CHF 5.2 million in 2003.

Participants may purchase pension benefits at their own cost at any time within certain limits defined by the plan rules or pre-finance their pension benefits reductions in case of early retirement.

The principal actuarial weighted average assumptions used for calculating defined benefit plans are as follows:

Table 14.1
Weighted average

	2004	2003	2002
Discount rate	3.46%	3.99%	3.85%
Expected long-term rate of return on assets	5.50%	6.00%	6.00%
Future salary increases	2.00%	2.00%	2.16%
Future pension increases	0.89%	0.90%	0.91%

Table 14.2

(US$ million)	2004	2003	2002

Projected benefit obligation			
Projected benefit obligation as of January 1	80.3	64.9	43.6
Service cost	7.4	7.6	5.0
Interest cost	3.2	2.6	2.1
Actuarial losses (gains)	10.1	3.8	4.5
Foreign currency translation effects	9.3	8.8	9.8
Benefits paid	0.9	0.2	0.1
Projected benefit obligation as of December 31	109.4	80.3	64.9
Fair value of plan assets			
Fair value of plan assets as of January 1	50.6	35.6	23.6
Actual return on plan assets	2.5	2.9	0.9
Employee contributions	3.1	2.6	1.8
Employer contributions	7.1	4.4	5.9
Foreign currency translation effects	5.8	4.9	5.3
Benefits paid	0.9	0.2	0.1
Fair value of plan assets as of December 31	68.2	50.6	35.6
Funded status			
Funded status	41.2	29.7	29.3
Unrecognized transition obligation			2.8
Unrecognized net actuarial losses (gains)	18.9	6.6	8.2
Unrecognized prior service cost	1.7	1.7	1.7
Additional plan liabilities	7.7		1.1
Accrued benefit liability	31.7	24.8	21.1
Amounts recognized in the balance sheet			
Accrued benefit liability	31.7	24.8	21.1

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The net periodic benefit expense in the income statement consists of the following components:

Table 14.3
Net periodic benefit expense

(US$ million) For the years ended December 31	2004	2003	2002
Service cost	7.4	7.6	5.0
Interest cost	3.2	2.6	2.1
Expected return on plan assets	3.1	2.4	1.7
Employee contributions	3.1	2.6	1.8
Amortization of transition obligation		0.6	0.5
Amortization of actuarial (gains) losses		0.4	
Amortization of past service cost	0.2	0.2	0.2
Net periodic benefit expense	4.2	6.0	3.9

The movement in the accrued benefit liability was as follows:

Table 14.4
Accrued benefit liability

(US$ million) Year ended December 31	2004	2003	2002
Balance at January 1	24.8	21.1	18.6
Current year expense	4.2	6.0	3.9
Contributions paid	7.1	4.4	5.9
Foreign currency translation effects	2.1	2.1	3.4
Additional plan liabilities	7.7		1.1
Balance at December 31	31.7	24.8	21.1

The expected future cash flows to be paid by Converium in respect of pension plans at December 31, 2004 were as follows:

Table 14.5
Expected future cash flows

(US$ million)	
Employer contributions	
2005 (estimate)	5.9
Expected future benefit payments	
2005	3.1
2006	3.3
2007	3.5
2008	3.6
2009	3.8
2010 2014	21.5

The weighted average assets allocation of funded defined benefit plans at December 31, 2004 were as follows:

Table 14.6
Weighted average assets allocation of defined benefit plans

Year ended December 31	Long-term target	2004	2003
Debt securities	46% 70%	50%	51%
Equity securities	19% 33%	31%	27%
Real estate	14% 20%	17%	17%
Cash and other investments	0% 8%	2%	5%
Total		100%	100%

CRNA sponsors various qualified defined contribution plans. Substantially all employees of CRNA are eligible for participation in these plans. The plans provide for voluntary contributions by employees, which typically range from 1% to 25% of annual salaries, up to a calendar year maximum. Contributions by the employer are typically another

10% (matching or otherwise). In

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addition, various supplemental, non-qualified deferred compensation plans allow members of management to defer certain amounts of compensation and receive specified contributions. CRNA s contributions under these plans amounted to US$ 2.5 million, US$ 2.5 million and US$ 2.8 million in 2004, 2003 and 2002, respectively.

15. Share compensation and incentive plans

Converium has various incentive- and share-based compensation plans to attract, retain and motivate management and employees, to reward them for their contributions to Converium s performance and to encourage employee share ownership.

(a) Cash-based incentive plans

Converium operates a short-term incentive program (Annual Incentive Plan or AIP) for executives, management and certain employees. Awards are made in cash based on the accomplishment of both organizational and individual performance objectives. The compensation expense incurred in 2004, 2003 and 2002 in connection with these plans was US$ 2.0 million, US$ 11.7 million and US$ 7.4 million, respectively.

Employee retention plan

In September 2004, Converium adopted a retention plan for certain of its key employees in order to ensure the successful continuation of business operations at Converium AG and Converium Rückversicherung (Deutschland) AG and the orderly run-off of its North American operations. The retention bonus is paid to the eligible employees in cash in two or three equal installments in amounts up to the equivalent of such employees base salary. The last installment becomes due on January 31, 2006. The estimated cost of the program is approximately US$ 31.5 million, which will be expensed over the period October 1, 2004 through January 31, 2006. For the year ended December 31, 2004, US$ 15.7 million has been expensed based on the terms of this plan. In addition, severance amounts of US$ 6.0 million will be required to be paid to certain CRNA employees in the event of a change of control or certain other events.

(b) Share-based incentive plans

Share-based compensation plans include all plans under which shares or options to purchase shares are awarded. The grant of shares and options to purchase shares in Converium Holding AG is at the discretion of the Remuneration Committee of the Board of Directors. The most significant of these plans are described below.

Employee Stock Purchase Plan

Converium adopted an Employee Stock Purchase Plan (the ESPP) on January 1, 2002. The ESPP has two offering periods beginning January 1 and July 1 of each year. Substantially all employees meeting specified service requirements are eligible to participate in the ESPP. Participants may contribute between 1% and 15% of base salary towards the purchase of Converium Holding AG shares, up to certain limits. Employees who enroll in the ESPP purchase Converium Holding AG shares at 85% of the lower of the stock s fair market value on the first or last day of the offering period.

Annual Incentive Share Plan

Certain executives receive a minimum of 25% of their Annual Incentive Plan in the form of Converium shares. All employees may elect to receive up to 50% of their AIP in Converium shares. If these AIP shares are held for a three-year period, employees receive an additional share award equal to 25% of their AIP shares.

Table 15.1 summarizes the status of Converium s share plans for 2004, 2003 and 2002.

Table 15.1	2004	2003	2002
Unvested shares at beginning of year	160,859	363,278	706,451
Shares granted	438,795	133,930	29,732
Shares vested	30,288	311,587	299,214
Shares forfeited	112,185	24,762	73,691
Unvested shares at end of year	457,181	160,859	363,278

Long-Term Incentive Plan (LTIP)

The LTIP is designed to align the interests of management closely with those of shareholders, and to encourage share ownership. LTIP awards are made to senior employees, and are awarded in a combination of 50% Converium shares and 50% options to purchase shares in Converium Holding AG. Shares vest ratably over three years. Options are issued with an exercise price equal to the market value of the shares or ADSs on the grant date. 25% of the options vest immediately on the grant date, and 25% vest each year thereafter or upon retirement. The options expire 10.5 years after the date of grant.

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Executive IPO option plan

In connection with the Transactions, Converium granted certain executives options to purchase shares in Converium Holding AG (the Executive IPO Option Plan). Under the Executive IPO Option Plan, 420,000 options to purchase shares in Converium Holding AG were awarded. The exercise prices were equal to the market value of the shares or ADSs on the grant date. Executive IPO Options are now fully vested and expire 10.5 years after the date of grant.

Table 15.2 summarizes the status of Converium s outstanding stock options for 2004, 2003 and 2002.

Table 15.2	2004		2003		2002	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
		CHF		CHF		CHF
Outstanding at beginning of year	1,728,744	71.17	1,115,424	79.28	732,329	82.00
Granted	1,238,640	17.75	699,555	58.14	442,514	74.66
Exercised	39,806	68.64	23,450	60.10	3,574	78.85
Forfeited	567,624	59.90	62,785	74.31	55,845	80.40
Outstanding at end of year	2,359,954	45.88	1,728,744	71.17	1,115,424	79.28
Options exercisable at end of year	1,311,491	61.38	901,933	75.74	423,509	80.47

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Table 15.3 **Weighted average**	2004	2003	2002
Risk-free rate	2.11%	1.51%	1.87%
Expected life	3 years	3 years	3 years
Expected volatility	31.74%	27.24%	31.27%
Dividend yield	2.00%	1.78%	0.80%
Fair value of options granted	US$ 3.38	US$ 7.43	US$ 11.11

Table 15.4 summarizes information about stock options outstanding at December 31, 2004:

Table 15.4	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
CHF 8.64 25.56	958,765	10.4	CHF 9.72	252,494	CHF 9.96
CHF 56.05 62.50	734,017	9.0	59.44	413,604	59.30
CHF 82.00 89.10	667,172	7.4	82.93	645,393	82.83
CHF 8.64 89.10	2,359,954	9.1	45.88	1,311,491	61.38

(c) Compensation expense

The compensation expense charged to income under the share-based incentive plans was US$ 9.6 million, US$ 10.0 million and US$ 24.4 million in 2004, 2003 and 2002, respectively.

(d) Re-pricing of options

An adjustment to the exercise price of all options outstanding prior to the Rights Offering will be made in early 2005 in order to account for the dilution of the value of the options as a result of the Rights Offering. The reduction in exercise price maintains the same Black-Scholes value of the option before and after the Rights Offering and does not reflect any other decrease in the share price. The re-pricing of options will not have a material impact on the financial condition or results of operations.

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16. Shareholders equity

(a) Issued share capital

Upon incorporation on June 19, 2001, Converium Holding AG had share capital of CHF 100,000 divided into 10,000 fully paid registered shares with a nominal value of CHF 10 each, all of which were entitled to receive dividends. On September 24, 2004, the Extraordinary General Meeting of the shareholders passed two resolutions to increase the share capital to CHF 400 million, divided into 40 million fully paid registered shares with a nominal value of CHF 10 each, all of which were entitled to receive dividends.

In addition Converium s shareholders resolved, at the Extraordinary General Meeting held on September 28, 2004, to:

Reduce the share capital of the company from CHF 400,062,170 by 200,031,085 to CHF 200,031,085 by reducing the nom- inal value of CHF 10 per share by CHF 5 to CHF 5 per share;

Increase the share capital by CHF 533,416,225 through the issuance of 106,683,245 fully paid registered shares with a nominal value of CHF 5 each at an issue price of CHF 5 per share; and

Amend the Articles of Incorporation as a consequence of the reduction of the nominal value.

In October 2004, Converium s share capital was increased by CHF 533,416,225 by issuing 106,683,245 shares at CHF 5 each. The additional shares were issued, and Converium s corresponding capital increase (and reduction of the nominal value) were recorded, in the Commercial Register of the Canton of Zug, Switzerland on October 12, 2004. After the registration of the shares in the Commercial Register of the Canton of Zug, Converium s issued, outstanding share capital was CHF 733,447,310, divided into 146,689,462 shares with a nominal value of CHF 5.

(b) Authorized share capital

At the Annual General Meeting on April 27, 2004, the shareholders resolved to create authorized share capital and amended the Articles of Incorporation, which provides that the Board of Directors is authorized, on or before April 27, 2006, to increase the share capital by the issuance of up to a maximum of four million fully paid-up registered shares each of CHF 10 nominal value amounting to a maximum of CHF 40 million.

Subsequent to the reduction of the nominal value of each of Converium s shares from CHF 10 to CHF 5 as a result of the resolution by the shareholders at the EGM of September 28, 2004, Converium s authorized capital is now CHF 20,000,000 with the Board being authorized to issue up to four million shares.

(c) Conditional share capital

At the Annual General Meeting on April 27, 2004, Converium Holding AG amended its Articles of Incorporation to state that the previously available conditional share capital for use in conjunction with the employee participation plans has been replaced by a conditional share capital for option rights and/or conversion rights for a number of four million shares or CHF 40,000,000 in nominal share capital.

Subsequent to the reduction of the nominal value of each of Converium s shares in October 2004, its conditional capital is now for a number of four million shares of CHF 5 nominal value each, amounting to a maximum of CHF 20,000,000 pursuant to which up to four million shares can be issued upon exercise of conversion or option rights allotted in connection with bonds and other financial market instruments.

At December 31, 2004, none of the conditional share capital or registered shares have been exercised.

(d) Dividend restrictions, reductions in the registered shares nominal value, and capital and solvency requirements

Converium Holding AG is subject to legal restrictions on the amount of dividends it may pay to its shareholders under the Swiss Code of Obligations. The Swiss Code of Obligations provides that 5% of the annual profit must be allocated to the general reserve until such reserve in the aggregate has reached 20% of the paid-in share capital. Similarly, the company laws of countries in which Converium entities operate may restrict the amount of dividends payable by such entities to their parent companies.

As of December 31, 2004, Converium Holding AG had 146,689,462 registered shares with a nominal value of CHF 5 each issued. Based on Swiss company law, Converium Holding AG is entitled to reduce the nominal value of its registered shares down to CHF 0.01 by a respective payment per share to its shareholders. Other than by operation of the restrictions mentioned above, the ability of Converium entities to pay dividends may be restricted or, while dividend payments per se may be legally permitted, may be indirectly influenced by minimum capital and solvency requirements that are imposed by insurance, bank and other regulators in the countries in which the entities operate as well as by other limitations existing in certain of these countries (e.g. foreign exchange control restrictions).

In Switzerland, insurance supervisory regulations require entities to fund their statutory reserves at a minimum level of 20% of net profits until the statutory reserve fund reaches an amount equal to 50% of the statutory share capital, including freely

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disposable reserves, if any. In the United States, restrictions on payment of dividends are imposed by the Insurance Commissioner of the state of domicile. For CRNA, dividends are payable only from earned surplus and are limited annually to the greater of 10% of the previous year s policyholders surplus or 100% of the previous year s statutory net income. Dividends paid in excess of these limitations require prior approval of the Insurance Commissioner of the state of domicile. In Germany, the minimum amount of statutory capital reserves required is 10% of the nominal value of the common stock. If the 10% criterion is met, dividends of up to 100% of current year s surplus can be paid. If the 10% criterion is not met, dividends are limited to a maximum of 95% of current year s surplus less the prior year loss carryover. Under German law, an entity s executive board in consent with the supervisory board has the authority to reclassify up to 100% of the current year surplus to retained earnings, thereby not allowing dividends to be paid (see Note 22).

17. Transactions with Zurich Financial Services

Quota Share Retrocession Agreement

In connection with the Transactions, the transfer of certain historical reinsurance business to Converium AG by ZIC and ZIB was affected by means of the Quota Share Retrocession Agreement effective July 1, 2001. The covered business consists of the business historically managed by Converium, which has an inception or renewal date on or after January 1, 1987, and consists of substantially all of the third-party assumed reinsurance business written by ZIC and ZIB, under the Zurich Re brand name. The liabilities Converium AG assumed include all net unearned premiums, net losses and loss adjustment expenses and experience account balances relating to this business.

The Quota Share Retrocession Agreement provides for the payment of premiums to Converium AG by ZIC as consideration for assuming the covered liabilities. The Quota Share Retrocession Agreement provides that these premiums are on a funds withheld basis, whereby the premium is not immediately paid, but is rather retained by ZIC and credited to a funds withheld account, which is referred to as the Funds Withheld Asset.

Because the business subject to the Quota Share Retrocession Agreement consists of business that was historically managed by Converium, this business is already reflected in the financial statements. Any reinsurance business written by ZIC or ZIB that is not part of the historically managed and operated third-party reinsurance business of Converium is not covered by the Quota Share Retrocession Agreement, and all related legal rights and obligations of this business have been retained by ZIC and ZIB. Accordingly, this business is excluded from the financial statements. Therefore, execution of the Quota Share Retrocession Agreement has no impact on results of operations as reported.

Converium AG will receive the surplus remaining with respect to the Funds Withheld Asset, if any, after all liabilities have been discharged. Any surplus or any additional cash flows will be recorded in the financial statements in the period when they occur. Additionally, Zurich Financial Services has the right to prepay to Converium AG the full amount or a portion thereof of the Funds Withheld Asset prior to termination of the agreement.

Converium AG continues to administer the transferred business on behalf of ZIC and ZIB, which remain liable to the original cedents of the business. Additionally, Converium AG manages third-party retrocessions related to the business transferred. Converium bears the credit risk for uncollectible reinsurance balances excluding those related to the September 11th terrorist attacks. Converium AG has a broad right of offset under the Quota Share Retrocession Agreement so that reinsurance balances owed to ZIC and ZIB may be offset against the Funds Withheld Asset account directly.

The Quota Share Retrocession Agreement provides for commutation and termination for special reasons, such as insolvency of a party or loss of its authorization to do business or a change of control of Converium AG. Each of the parties agrees to indemnify the other against liability or expense incurred by reason of its conduct or failure to act in appropriate circumstances. The Quota Share Retrocession Agreement contains other provisions that are customary for an agreement of this nature.

Converium has entered into various other transactions with Zurich Financial Services and its subsidiaries, the most significant of which are described below.

CRNA had an intra-Converium aggregate excess of loss reinsurance agreement in place since July 1, 1997 (the 1997 Aggregate Excess of Loss Agreement). This agreement provided protection to CRNA for losses that exceeded a net retention after amounts recoverable from its outside retrocessionaires. Because the 1997 Aggregate Excess of Loss Agreement pre-dated the Transactions, ZIC was the formal counterparty to CRNA. In October 2001, the 1997 Aggregate Excess of Loss Agreement was amended as follows:

CRNA s coverage for net losses of US$ 320.4 million with respect to all Amerisafe business retroceded to the Unicover Pool remains in effect, with ZIC as counterparty;

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CRNA s coverage for net losses of US$ 307.5 million from the September 11th terrorist attacks that exceed US$ 58.2 million remains in effect, with ZIC as counterparty; and

The remainder of the coverage under the agreement is commuted.

See Notes 7, 9, 11, 15, 18 and 21 for other transactions with Zurich Financial Services.

18. Related party transactions

GAUM

In 2003, Converium finalized an agreement to acquire a 25% stake in GAUM, a leading international commercial and general aviation underwriting agency, as a part of its strategy to strengthen its long-term position in the aviation and space line of business. At that same time, Converium as a shareholder provided a loan to GAUM in the amount of GBP 12.6 million (US$ 19.8 million). In addition, Converium entered into a pool members agreement under which it became a member of the aviation and aerospace pools run by GAUM and its subsidiary, Associated Aviation Underwriters Inc.

In February 2004, Converium AG finalized a Sale and Purchase Agreement with Royal and Sun Alliance (RSA) to acquire a further 5.1% stake in GAUM, which increased its overall stake to 30.1%. Included within the Sale and Purchase Agreement is a requirement for Converium AG to replace an existing loan from RSA in the amount of GBP 2.5 million (US$ 4.5 million). For the 2004 underwriting year, Converium has committed 27.25% of the overall pool s capacity of the aviation risks managed by GAUM, compared to 25% for the 2003 underwriting year. Gross premiums assumed through the pools managed by GAUM were US$ 289.0 million, US$ 266.4 million and US$ 64.4 million for 2004, 2003 and 2002, respectively.

The pool members agreement with respect to GAUM provides that if a member of the pool has its financial strength rating downgraded below BBB+ by Standard & Poor s Rating Service it may be served with a notice terminating its membership in the pool upon approval by the committee of representatives of the pool. Converium believes that no formal action was taken by the pool membership committee to serve a notice terminating its membership of Converium. However, the committee has discussed Converium s downgrade and sought to take action to limit its rights to dispute the validity of any notice served on Converium. The continuation of Converium s membership at its current rating was likely to be conditional upon its entering fronting arrangements acceptable to other pool members in a timely fashion and thereafter maintaining such arrangements. Converium entered into formal written fronting arrangements, preventing the termination of its membership in the pool. The fronting arrangements require Converium to post collateral to secure its reinsurance obligations under the fronting arrangements. If Converium s membership were to be reduced to less than a 5% share, it would not be permitted to participate in future pool business and would have to collateralize by way of a letter of credit its obligations under the business written by the pool in its name prior to its termination. If Converium s membership were terminated, it also may be required to sell its shares in GAUM at an amount less than its carrying value. See Notes 3 and 8 for additional information on GAUM.

MDU

Converium entered into a strategic alliance with the MDU that resulted in a 49.9% participation in MDUSL. MDUSL distributes medical malpractice insurance policies to the members of the MDU. As a result of the initial FSA approval in respect of general liability business, insurance policies underwritten by Converium Insurance (UK) Ltd were issued to members of the MDU beginning July 1, 2003. These insurance policies replaced policies formerly issued in the United Kingdom by Zurich Financial Service s entities, the majority of which were reinsured by Converium. Gross premiums written from MDU were US$ 170.9 million, US$ 137.3 million and US$ 140.0 million for 2004, 2003 and 2002, respectively.

The MDU Shareholders Agreement provides that if Converium s credit rating is lowered by more than seven points, from its initial A+ rating, by a recognized credit ratings agency, the MDU may serve it with a Termination Notice. Within sixty days after service of such termination notice, MDU has the right to purchase Converium's 49.9% shareholding in MDU Services Ltd. at a price to be mutually agreed upon by the parties, or to be determined by a valuation expert. The recent ratings downgrades have not triggered the termination provisions of the MDU Shareholders Agreement. See Note 8 for additional information on MDU.

SATEC

Converium has a 48% participation in SATEC, a leading global space-underwriting agency based in Venice, Italy. Additionally, in 2002 Converium entered into a usufruct agreement with the two other owners of SATEC regarding some of their participation rights. Gross premiums assumed through the pool managed by SATEC were US$ 10.2 million, US$ 5.9 million and US$ 5.0 million for 2004, 2003 and 2002, respectively. Profit distributions paid from SATEC to Converium with regards to the participation and the usufruct were US$ 0.9 million, US$ 0.8 million and nil for 2004, 2003 and 2002, respectively. In 2004, we have recorded an impairment charge with regard to the usufruct agreement in the amount of US$ 2.4 million.

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RISC Ventures

Converium has retained The RISConsulting Group LLC for certain consulting services, of which Derrell J. Hendrix, a member of the Converium AG Board of Directors, is Manager and Chief Executive Officer. In addition, Derrell J. Hendrix is a manager and owner of approximately 57% of the outstanding share capital of RISC Ventures LLC, a Delaware-based limited liability company created to manage and operate companies engaged in commercializing technologies and intellectual properties developed by The RISConsulting Group LLC and its affiliates. In April 2004, Converium AG invested US$ 2.0 million in RISC Ventures LLC for an approximate 17.5% ownership interest in the entity. For 2004, Converium paid total fees of US$ 250,000 to The RISConsulting Group LLC.

Managing Director

In order to enhance the effectiveness of strategic and operational decision-making and greater collaboration between the Board of Directors and the Global Executive Committee (GEC), Converium established the position of Managing Director. On September 10, 2004, Terry G. Clarke was appointed as Converium s new Managing Director. The Managing Director serves on the Board and has oversight over the day-to-day management of Converium s business. The Managing Director attends all meetings of the GEC and has veto power over decisions taken by the GEC. In addition to the Managing Director s regular compensation as a member of the Board of Directors, Terry G. Clarke receives a remuneration of GBP 50,000 (US$ 91,620) per month plus reimbursement for customary expenses. For 2004, Converium paid Terry G. Clarke GBP 190,909 (US$ 349,822) related to this role. In February 2005, Terry G. Clarke assumed the role of Chief Executive Officer of Converium (see Note 26).

19. Supplemental cash flow disclosures

Table 19.1
Supplemental cash flow disclosures

(US$ million)	2004	2003	2002
Income taxes paid	10.2	2.7	2.3
Interest expense paid	33.1	31.6	16.4

20. Fair value of financial instruments

The methods and assumptions used by Converium in estimating the fair value of financial instruments are:

Fixed maturities securities: fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using either values obtained from independent pricing services or quoted market prices of comparable investments.

Equity securities: fair values are based on quoted market prices.

Funds Withheld Asset: carrying value of the Funds Withheld Asset approximates fair value.

Other investments: for which quoted market prices are not readily available are not fair valued and are not significant to Converium.

Cash and short-term investments: carrying amounts approximate fair value.

Debt: fair values are generally based upon quoted market prices.
Table 20.1 lists the estimated fair values and carrying values of Converium s financial instruments as of December 31, 2004 and 2003.

Table 20.1
Fair value of financial instruments

(US$ million) As of December 31	Total fair value 2004	Total carrying value 2004	Total fair value 2003	Total carrying value 2003
Fixed maturities	5,678.7	5,685.2	4,935.9	4,928.6
Equity securities	408.5	408.5	840.2	840.2
Other investments (excluding real estate)	133.5	133.5	43.3	43.3
Short-term investments	133.3	133.3	55.8	55.8
Funds Withheld Asset	1,305.1	1,305.1	1,530.6	1,530.6
Cash and cash equivalents	664.9	664.9	280.8	280.8
Debt	330.6	390.9	428.6	390.6

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21. Commitments and contingencies

Letter of credit facility

In November 2004, Converium AG obtained a US$ 1.6 billion, three-year syndicated letter of credit facility (the Syndicated Letter of Credit Facility) from various banks. The facility provides Converium s non-US operating companies with a US$ 1.5 billion capacity for issuing letters of credit and a US$ 100.0 million liquidity reserve. It replaces the existing US$ 900.0 million letter of credit facility that was signed in July 2003. As of December 31, 2004, Converium had outstanding letters of credit of US$ 955.7 million under the facility. Investments of US$ 1,060.8 million are pledged as collateral related to the Syndicated Letter of Credit Facility. Converium must maintain the following financial covenants in order to avoid default under the agreement: (i) consolidated total borrowings do not at any time exceed 35% of consolidated tangible net worth, which is defined as total shareholders equity less goodwill; and (ii) consolidated tangible net worth must remain greater than US$ 1,237.5 million at all times. Converium pays commission fees on outstanding letters of credit, which are distributed to the facility banks and can only be impacted by a change in the company s credit rating. The maximum amount of this fee is .50%.

In addition to the Syndicated Letter of Credit Facility, other irrevocable letters of credit of US$ 639.1 million were outstanding at December 31, 2004 to secure certain assumed reinsurance contracts. Investments of US$ 704.7 million are pledged as collateral related to certain of these letters of credit.

As of December 31, 2004, Converium Rückversicherung (Deutschland) AG, Germany had an outstanding commitment of Euro 30.0 million (US$ 40.8 million) to fund an investment in a Morgan Stanley Real Estate Fund (the Eurozone Office Fund), a Fonds Commun de Placement under Luxembourg law. The manager can call this commitment at any time during the commitment period to fund working capital needs or the purchase of new investments. As of December 31, 2004 the capital called totaled Euro 6.7 million (US$ 9.1 million).

Converium has entered into various operating leases as lessee for office space and certain computer and other equipment. Rental expenses for these items totaled US$ 15.9 million, US$ 15.9 million and US$ 14.8 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Table 21.1 lists minimum future payments under operating leases with terms in excess of one year.

Table 21.1

Minimum future payments under operating leases (US$ million)	Rental payments
2005	13.3
2006	13.3
2007	13.2
2008	13.1

2009	11.8
2010 and thereafter	20.9
Total	85.6

Converium AG leases office space from Zurich Financial Services. The lease term is fixed until 2011, with two renewal options for five-year terms each. The lease payments are fixed with annual rent escalations based on a cost of living index.

Converium Rückversicherung (Deutschland) AG leases office space from Zurich Financial Services. The lease term is for a period of ten years, with an option to renew for up to two additional ten-year terms. Lease payments have bi-annual rent escalations based on changes in local real estate price indices.

CRNA entered into a sublease with ZC Resource LLC (ZC Resource), a subsidiary of Zurich Financial Services, in July 2001. The sublease has a term of approximately eleven years, ending in 2012. As part of the Transactions, CRNA entered into an agreement to indemnify Global Asset Holdings Limited (GAHL), an indirect parent of ZC Resource and a co-guarantor of the prime lease, for losses under the prime lease or the guaranty caused by CRNA s default under the sublease that results in a default under the prime lease; GAHL, in turn, will indemnify CRNA for any losses under the guaranty caused by a default by ZC Resource under the prime lease. Centre Insurance Company, a subsidiary of Zurich Financial Services, will guaranty the punctual payment of all amounts due by GAHL under the guaranty and all expenses incurred by CRNA enforcing the guaranty. See Note 25 for additional information on guarantees. As a result of the announced run-off of CRNA, Converium is currently evaluating certain of its office leases in North America, and a plan for reduced office space is expected to be approved in 2005 (see Note 26).

Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Converium Holding AG and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of its business operations as a reinsurer. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of management, these matters are not material to Converium s financial position, with the exception of the matters described below:

Superior National Matters

On January 6 and January 7, 2005, CRNA and CINA, respectively, entered into a Settlement Agreement and Mutual Release (the Settlement Agreement) with the California Insurance Commissioner (the Commissioner) relating to the January 16, 2002 complaint that the Commissioner filed against a subsidiary of ZFS, Centre Insurance Company (CIC) and affiliates, as well as CRNA and CINA (see Note 26). The Commissioner had initiated this action in Superior Court of the State of California, County of Los Angeles, on behalf of the Superior National Insurance Companies in Liquidation (SNICL).

The complaint alleged several counts, including voidable preferences and fraudulent transfers, the recovery of transfers totaling US$ 202.9 million, damages for breach of contract in the amount of US$ 59.8 million, additional damages in an amount to be proved at trial, and punitive damages. The overwhelming bulk of the damages sought appeared to arise out of CIC transactions, not CRNA or CINA transactions. As part of the transactions which effectively spunoff CRNA and CINA from ZFS, ZFS agreed to indemnify CRNA and CINA for liabilities arising out of or related to the assets not assumed by or transferred to CRNA and CINA in the separation from ZFS. The principal claim brought against CRNA appeared to arise from CRNA s commutation of certain reinsurance obligations. In that connection, however, while the complaint did in fact reference the commutation, the payment involved was a commutation payment made by CRNA, not to CRNA. As best as could be discerned, the liquidator was apparently claiming that the amount paid by CRNA was inadequate consideration for the reinsurance obligations commuted and thus this commutation constituted a fraudulent transfer. All the claims, though, were never well defined and no discovery was ever undertaken to better elucidate them.

Neither CRNA nor CINA shall pay any amounts whatsoever in exchange for the full and final discharge of liabilities, as set forth in the Settlement Agreement, that the Commissioner has granted to both companies. Instead, CIC shall be making the full payment that will provide the complete release to CRNA and CINA, as well as all other parties in the complaint. At a hearing on February 17, 2005, the Settlement Agreement was approved by the court presiding over the liquidation of the estates of SNICL. As a result, CIC s main performance under the settlement is now due 90 days from entry of the approval order. After that period has expired and CIC has performed, dismissals of the case are expected to be entered.

U.S. Life Insurance Company arbitration

The arbitration initiated on November 29, 1999 by U.S. Life Insurance Company (U.S. Life) against Superior National Insurance Company in Liquidation (SNICIL), CINA and CIC, which was previously reported, has been settled as between U.S. Life and CINA. The settlement in January 2005 followed a December 2004 decision of the arbitration panel to reject U.S. Life s claim for rescission and to instead reform the reinsurance treaty provided by U.S. Life to a 90% quota share as opposed to a 100% quota share. Life and CINA agreed to settle the matter with a full and final commutation of the treaty in exchange for a commutation payment by U.S. Life (see Note 26).

All American Life Insurance Company arbitration

The arbitration initiated on December 23, 2002 by CRNA and CINA against All American Life Insurance Company (All Ameri-can), which was previously reported, has been settled. In May 2004, the parties to the dispute, which concerned a reinsurance treaty provided by All American, agreed to settle the matter with a full and final commutation of the treaty in exchange for a commutation payment by All American. Incurred losses of US$ 9.2 million were recorded in 2004 to reflect this commutation.

Continental Casualty Company arbitration

In December 2002, Continental Casualty Company (Continental) and CRNA each demanded arbitration from the other to resolve a dispute arising from a retrocessional contract pursuant to which Continental reinsured CRNA for 50% of certain accident & health exposures CRNA assumed from a third-party insurer. The dispute arose in October 2002 when Continental asserted that the third-party insurer had violated the reinsurance agreement with CRNA in such a way that might give rise to defenses under the reinsurance agreement.

Effective June 2004, Continental and CRNA entered into an Assignment of Rights, Limited Indemnity and Cooperation Agreement (the Assignment Agreement) pursuant to which the parties agreed to withdraw their respective demands for arbitration with prejudice. The Assignment Agreement enables Continental, with the cooperation of CRNA, to assert its defenses directly against the insurer and indemnifies CRNA for monetary liability or expenses it incurs resulting from CRNA s cooperation or Continental s assertion of its defenses. Following the signing of the Assignment Agreement, Continental, CRNA and the third-party insurer have entered into a series of commutation agreements related to the exposures. These commutations are subject to the approval of the liquidation court governing the insurer, which is currently pending.

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Great American Insurance Company arbitration

The arbitration initiated on July 30, 2004 by Great American Insurance Company (GAIC) against CRNA, challenging CRNA s right to invoke a special termination or settlement clause under certain Automobile Residual Value Proportional Reinsurance Agreements (the Reinsurance Agreements) with GAIC and seeking resolution of a billing dispute related to the Reinsurance Agreements, which was previously reported, has been settled. In December 2004, the parties to the dispute agreed to settle the matter with a full and final commutation of the Reinsurance Agreements in exchange for a commutation payment by CRNA.

Canada Life

On December 21, 2001, The Canada Life Assurance Company, Toronto (Canada Life), brought an action against Converium Rückversicherung (Deutschland) AG (Converium Germany) in the US District Court of the Southern District of New York. Canada Life alleged that Converium Germany breached certain quota share retrocession agreements with Canada Life by failing to indemnify its full percentage of Canada Life s September 11th losses and by failing to post an US$ 82.4 million letter of credit for its liability pursuant to the ISA facilities underlying agreements. Converium Germany is disputing this claim on the grounds that its liability under the pertinent contracts is limited and is also raising other contracts defenses. In its decision of April 11, 2002, the US District Court of the Southern District of New York dismissed Canada Life s action, ruling that The Air Transportation Safety and System Stabilization Act, which Canada Life claimed to give the court jurisdiction over the subject matter, is not applicable. The court ruled that the Act applies broadly to the actions filed by individual victims of the September 11th attacks but does not apply to disputes among reinsurers. The Second Circuit Court of Appeal affirmed the dismissal. As a result of the decision of the US District Court of the Southern District of New York, Converium Germany sent Canada Life a request to arbitrate. Following the organizational meeting of the arbitrators on October 8, 2003, the discovery and deposition began. The hearing is expected to take place in the first quarter of 2005. Meanwhile, the arbitration panel ordered Converium Germany to post pre-award security in the form of a Letter of Credit in the amount of US$ 66.0 million, which Converium Germany has complied with.

Converium Germany has fully reserved this claim. However, arrangements entered into with Zurich Financial Services provide for the claim to be covered by the agreed-to cap for September 11th related losses provided to us by Zurich Financial Services in conjunction with Converium s Initial Public Offering.

Current industry issues

To date, Converium is neither a defendant in the lawsuit that New York State Attorney General, Elliott Spitzer, filed against a leading US insurance broker on October 14, 2004, nor has Converium been contacted with respect to the lawsuit or any related investigation. There has been widespread speculation in the media regarding the potential impact and scope of the Spitzer investigation on the insurance industry. As the investigation appears to be in the preliminary phases it is difficult to predict whether it will be expanded to include other industry participants. However, CRNA has received subpoenas from each of the Securities and Exchange Commission and the New York Attorney General s Office regarding a transaction with MBIA for further information see Note 27 Review of Certain of our Reinsurance Transactions.

Class action lawsuits

Commencing on October 4, 2004, seven securities class action lawsuits have been filed against Converium and certain of its officers and directors. The complaints are as follows: *Meyer v. Converium Holding AG, et al.,* 04 CV 07897, which names Converium Holding AG, Dirk Lohmann and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and July 20, 2004; *Criden v. Converium Holding AG, et al.,* 04 CV 8060, which names Converium Holding AG, Dirk Lohmann and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and July 20, 2004; *Taylor v. Converium Holding AG, et al.,* 04 CV 8038, which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, Martin Kauer, Richard E. Smith and Frank Schaar as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004; *Jakob v. Converium Holding AG, et al.,* which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, Martin Kauer, Richard E. Smith and Frank Schaar as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004; *Maxfield v. Converium Holding AG, et al.,* 04-CV-08994, which names Converium Holding AG, Peter C. Colombo, Martin Kauer and Dirk Lohmann, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and September 2, 2004; *Bassin v. Converium Holding AG, et al.,* 04 CV 08295, which names Converium Holding AG, Peter C. Colombo, Martin Kauer and Dirk Lohmann as defendants, and is purportedly brought as a class action on behalf of purchasers of our securities between December 11, 2001 and September 2, 2004 (see Note 26); and *Rubin v. Converium Holding AG, et al.,* Index No. 04-117332, which names Converium Holding AG, Zurich Financial Services Group, Peter C. Colombo, Georg Mehl, George G. C. Parker, Derrell J. Hendrix, Jürgen Förterer, Terry G. Clarke, Anton K. Schnyder, Dirk Lohmann, and Martin Kauer as defendants, and is purportedly brought as a class action on behalf of persons who purchased our securities between December 11, 2001 and August 30, 2004.

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The first five complaints, each of which was filed in the Southern District of New York, assert claims for violations of Section 10(b), Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and allege, among other things, that, contrary to representations, we did not establish adequate loss reserves to cover claims by policyholders; that our announced reserve increases prior to July 20, 2004 were insufficient; and that, as a result of the foregoing, our earnings and assets were materially overstated. *Rubin v. Converium Holding AG, et al.,* Index No. 04-117332, was filed in New York State Court, and makes similar allegations directed at the Company s Registration Statement and Prospectus issued in connection with the IPO under sections 11, 12, and 15 of the Securities Act of 1933. Further, certain of the complaints allege violations of Securities and Exchange Commission reporting obligations and generally accepted accounting principles. In each case, plaintiffs are seeking unspecified compensatory damages, attorney s fees and expert fees. It is possible that additional suits alleging similar claims may be filed in the future.

We intend to defend the remaining lawsuits vigorously. The actions are in the preliminary phases; thus, the timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on our financial condition, results of operations and cash flows.

U.S. Securities and Exchange Commission investigation

In August 2004, CRNA received a request for voluntary production of documents and information from the enforcement staff of the U.S. Securities and Exchange Commission (the Commission). As a result of that request, Converium understands that the Commission is conducting an investigation to determine whether there have been violations of the US federal securities laws in connection with transactions in Converium s securities by certain persons, including certain of its insiders, prior to Converium s announcement on July 20, 2004 that its second quarter 2004 earnings would fall short of expectations due to higher than modeled US casualty loss emergence primarily related to the underwriting years 1997 to 2001.

CRNA has voluntarily responded to the Commission s request, and intends to continue to cooperate with the Commission.

Investigation by the Swiss Federal Banking Commission

In November 2004, the Federal Banking Commission requested certain information in conjunction with the sequence of events in conjunction with Converium s announcement on July 20, 2004 that its second quarter 2004 earnings would fall short of expectations due to higher than modeled US casualty loss emergence primarily related to the underwriting years 1997 to 2001. Converium fully complied with the respective request by providing all relevant information to the Commission.

22. Regulation

As a result of the developments in the latter part of 2004, various regulatory actions have occurred, the most significant of which are set forth below:

United States

As a result of the reserve strengthening Converium recorded in 2004 and the subsequent placement of its North American business into run-off, the Connecticut Insurance Department (the Department) has implemented additional financial monitoring of CRNA. CRNA has entered into a letter of understanding with the Department pursuant to which CRNA will be prevented from taking a number of actions without first obtaining the Department s approval, including:

Making any material change in its management or operations;

Making any withdrawal of monies from its bank accounts, disbursements or payments outside the ordinary course of the business run-off;

Incurring any debt, obligation or liability for borrowed money not related directly to the ordinary course of the business run-off;

Writing, assuming or issuing any new insurance policies;

Making any dividend payment or other payment or distribution to or engaging in any transaction, or entering into any agreement directly or indirectly with its parent company, or any affiliated company;

Entering into any new material reinsurance agreement; and

Entering into any sales, purchases, exchanges, loans, extensions of credit or investments not in the ordinary course of its run-off business.

In addition, CRNA will be required to provide to the Department written reports on a monthly basis containing detailed information on all commutations of reinsurance treaties and related activities, including specific impact on CRNA s statutory financial statements, as well as any additional reports that the Department reasonably determines are necessary to ascertain the financial condition of the Company. The letter of understanding does not preclude the Department from initiating any further actions that it deems in its discretion to be necessary for the protection of CRNA s policyholders, reinsureds and the public.

The foregoing requirements will continue until March 15, 2005, at which time the Department will reassess the financial condition of CRNA.

Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

The recent ratings downgrades as well as our decision to place CRNA into run-off have triggered special funding clauses in CRNA s and CINA s reinsurance and insurance contracts. These clauses require CRNA and CINA to provide collateral for their payment obligations under those contracts. In addition, state insurance regulators may request that CRNA and CINA make special deposits in their states or provide collateral for contracts issued to residents of their states. The approval of the Department is required before we provide such collateral. If the Department withholds its approval, we would be in default under contracts that have special funding clauses unless the other party to the contract has waived the requirement. In addition, state insurance regulators that requested special deposits or collateral could seek to revoke CRNA s or CINA s licenses or initiate proceedings to take possession of the property, business and affairs of CRNA or CINA in their respective states.

Switzerland

By letter dated September 27, 2004 the Federal Office of Private Insurance (FOPI), the insurance and reinsurance regulator in Switzerland, has requested that Converium AG provide notice on certain inter-group transactions between Converium AG and its subsidiaries including loans, guarantees, cost-sharing agreements, capital injections, and investments in subsidiaries. Furthermore the FOPI requested by letter dated October 14, 2004 certain additional information including Converium s business strategy, planning, reserves, solvency and collateral issues. Converium is cooperating with the FOPI and is providing all required information and documentation.

In December 2004, per the FOPI s request, Converium AG agreed to submit for approval the following inter-group transactions: inter-group loans and capital increases to subsidiaries exceeding US$ 100.0 million; guarantees exceeding US$ 10.0 million; transfer of portfolios or novations involving changes in reserves exceeding US$ 25.0 million, dividends to Converium Holding AG and all inter-group reinsurance transactions that are not at arm s length. Absent consent of the FOPI, the inter-group transactions exceeding the thresholds could not be executed, which may in turn have an impact on the funding in conjunction with inter-group transactions.

Accounting impact of reserve strengthening and related impairment of goodwill and deferred taxes

For accounting purposes, Converium Holding AG and Converium AG are both required to perform an annual assessment of the carrying value of investments in affiliates as part of the annual statutory financial statement process. This annual impairment assessment is conducted in the fourth quarter of each calendar year when it is considered that the best financial information is available to perform this test. In order to assess the fair value of each investment, management utilizes a number of internationally recognized valuation techniques taking into account the fair value of the existing balance sheet, current projected business plans and credit rating and foreign exchange rate assumptions. Swiss law allows companies to value assets below their economic value in their local statutory accounts.

As a result of the reserve strengthening and related impairment of goodwill and deferred taxes, CHNA recorded an impairment charge of US$ 571.5 million in its US GAAP accounts with regards to its participation in CRNA. This impairment did not have a material impact on the consolidated financial position or results of operations. As of December 31, 2004 CHNA reported a value of US$ 331.0 million for its investment in CRNA in its US GAAP accounts.

In respect of Converium AG s investment in CHNA, Converium AG recorded an impairment charge of US$ 802.4 million in its US GAAP accounts and of CHF 1,332.4 million in its local statutory accounts in the fourth quarter of 2004. These impairment charges did not have a material impact on the consolidated financial position or results of operations. As of December 31, 2004 Converium AG reported a value of US$ 133.7 million for its investment in

CHNA in its US GAAP accounts.

Similarly, Converium Holding AG performed an annual impairment test on its investment in Converium AG as well as on the note receivable from CRNA as part of its Swiss annual statutory financial statement process, adopting the valuation principles outlined above. In the fourth quarter of 2004, Converium Holding AG recorded an impairment charge of CHF 1,332.4 million in its local statutory accounts with regards to its participation in Converium AG, respectively of CHF 170.6 million with regards to the note receivable from CRNA.

Germany

Solvency requirements

In late 2004, in order to meet newly established solvency requirements for reinsurance companies in Germany, Converium Rückversicherung (Deutschland) AG increased its capital on a local statutory basis by Euro 100.0 million (US$ 135.9 million). This was accomplished by means of a capital contribution from Converium AG in the amount of Euro 80.0 million (US$ 108.7 million). In addition, Converium AG granted Converium Rückversicherung (Deutschland) AG a subordinated loan in the amount of Euro 20.0 million (US$ 27.2 million) for a term of twenty years.

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Notes to the consolidated financial statements (continued)

Establishment of branch office

In November 2004, Converium AG established a branch office in Cologne, Germany. This move was made in response to the favorable legal regulatory environment in Germany as the rules regarding establishment of branch offices were slated to change as of January 1, 2005.

23. Consolidated entities

A list of operating entities and other important holdings, together with the country of incorporation, Converium s ownership interest and the share capital of each entity, is set out below.

	Country of incorporation	% of equity shares held	Currency	Share capital
Converium Rückversicherung (Deutschland) AG	Germany	100	EUR	4,601,627
Converium Finance S.A.	Luxembourg	100	EUR	31,000
Converium Holding AG	Switzerland	100	CHF	733,447,310
Converium AG	Switzerland	100	CHF	400,000,000
Converium Holdings (North America) Inc.	US	100	US$	1
Converium Reinsurance (North America) Inc.	US	100	US$	3,500,000
Converium Insurance (North America) Inc.	US	100	US$	5,000,000
Converium Holding (UK) Ltd	UK	100	GBP	101
Converium Insurance (UK) Ltd	UK	100	GBP	60,000,000
Converium London Management Ltd	UK	100	GBP	1,000
Converium Underwriting Ltd	UK	100	GBP	2
Converium IP Management Ltd*	Bermuda	100	US$	12,000
Converium Finance (Bermuda) Ltd*	Bermuda	100	US$	12,000

* Converium has incorporated two new companies effective as of December 17, 2004. The scope of these companies is to effectively manage Converium s brand.

24. (Loss) earnings per share

Converium Holding AG purchased 368,463 shares and 377,650 shares during 2004 and 2003, respectively, related to share-based compensation plans.

The following table shows the average shares outstanding:

(in US$ million, except per share information) For the years ended December 31	2004	2003	2002
Net (loss) income	760.8	185.1	106.8
Average shares outstanding (millions)	63.4	39.8	39.9
Average diluted shares outstanding (millions)	64.1	40.3	40.5
Basic (loss) earnings per share	12.00	2.33	1.34
Diluted (loss) earnings per share	12.00	2.32	1.33

(Loss) earnings per share and average shares outstanding for 2004 reflect the addition of the 106,683,245 new shares issued in the Rights Offering that occurred in October 2004 (see Note 16). The (loss) earnings per share calculation is based on an adjusted number of average shares outstanding and the 2003 and 2002 amounts have been restated accordingly.

Diluted (loss) earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding is increased to include potential common shares, such as shares from non-vested stock grants and the assumed exercise of stock options, if dilutive.

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25. Subsidiary issuer information

Presented below are the consolidating balance sheets of Converium Holding AG (the parent guarantor), Converium AG (the subsidiary guarantor) (together the guarantor companies), and Converium Finance S.A. (the subsidiary issuer), for whom the Guaranteed Subordinated Notes are guaranteed, as of December 31, 2004 and 2003, and the related condensed consolidating statements of income and condensed consolidating statements of cash flows for each of the three years in the period ended December 31, 2004. The guarantor companies have jointly and severally guaranteed payments by the subsidiary issuer on these notes. The subsidiary issuer and subsidiary guarantor are wholly owned subsidiaries of the parent guarantor.

Investments in subsidiaries are accounted for by the guarantor companies under the equity method for purposes of supplemental consolidating presentation as of the effective date of the acquisition. Earnings of subsidiaries are reflected in the investment accounts of the guarantor companies as of the effective date of the acquisition.

Information for the parent guarantor and the subsidiary issuer is only included from the date of formation.

Condensed consolidating statements of income

(US$ million) Year ended December 31, 2004	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Revenues						
Net premiums written		2,629.8		923.2		3,553.0
Net premiums earned		2,534.2		1,150.9		3,685.1
Net investment income	13.4	189.4	13.4	122.1	26.7	311.6
Net realized capital gains (losses)		12.6		33.9		46.5
Other income (loss)	23.5	41.1	19.0	4.0		2.6
Total revenues	36.9	2,695.1	32.4	1,302.9	26.7	4,040.6
Benefits, losses and expenses						
Losses, loss adjustment expenses and life benefits		1,968.3		1,294.8		3,263.1
Underwriting acquisition costs		655.9		186.6		842.5
Other operating and administration expenses	11.6	103.2	0.1	103.0		217.9

Interest expense	10.6	0.4	16.5	32.3	26.7	33.1
Impairment of goodwill				94.0		94.0
Amortization of intangible assets		9.9				9.9
Restructuring costs		0.2		2.5		2.7
Total benefits, losses and expenses	22.2	2,737.9	16.6	1,713.2	26.7	4,463.2
Income (loss) before taxes	14.7	42.8	15.8	410.3		422.6
Income tax benefit (expense)	2.5	50.4	0.1	290.2		338.2
Income (loss) before equity in (loss) income of subsidiaries	17.2	93.2	15.7	700.5		760.8
Equity in (loss) income of subsidiaries	778.0	684.8			1,462.8	
Net (loss) income	760.8	778.0	15.7	700.5	1,462.8	760.8

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Converium Holding AG and Subsidiaries
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Consolidating balance sheets

(US$ million) December 31, 2004	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Assets						
Invested assets						
Fixed maturities		2,956.6	14.8	2,713.8		5,685.2
Equity securities		255.8		152.7		408.5
Investment in subsidiaries	1,661.5	559.4			2,220.9	
Notes receivable	196.7	49.2	175.0	135.9	556.8	
Short-term and other investments		306.3		99.3		405.6
Total investments	1,858.2	4,127.3	189.8	3,101.7	2,777.7	6,499.3
Funds Withheld Asset		1,305.1				1,305.1
Total invested assets	1,858.2	5,432.4	189.8	3,101.7	2,777.7	7,804.4
Other assets						
Cash and cash equivalents	2.1	329.2	4.2	329.4		664.9
Premiums receivable		1,890.4		285.3	2.3	2,178.0
Reinsurance assets		917.6		2,267.3	1,613.6	1,571.3
Funds held by reinsureds		1,418.1		717.9	414.7	1,721.3
Deferred policy acquisition costs		418.2		66.5		484.7
Deferred income taxes		13.0		65.3		78.3
Other assets	32.5	333.8	65.8	100.6	93.0	439.7
Total assets	1,892.8	10,752.7	259.8	6,934.0	4,896.7	14,942.6
Liabilities and equity						
Liabilities						

Losses and loss adjustment expenses, gross		5,870.6		4,038.1	1,131.8	8,776.9
Unearned premiums, gross		1,058.9		533.6	280.2	1,312.3
Future life benefits, gross		87.7		549.6	91.5	545.8
Other reinsurance liabilities		1,382.6		105.4	112.7	1,375.3
Funds held under reinsurance contracts		226.7		567.4	414.8	379.3
Deferred income taxes		90.6		66.6		157.2
Accrued expenses and other liabilities	0.6	374.1	1.4	179.2	270.6	284.7
Notes payable	172.0			202.2	374.2	
Debt			193.6	197.3		390.9
Total liabilities	172.6	9,091.2	195.0	6,439.4	2,675.8	13,222.4
Equity						
Common stock and additional paid-in capital	1,977.8	1,941.2		1,286.9	3,228.1	1,977.8
Unearned stock compensation	7.5					7.5
Total accumulated comprehensive income (loss)	304.1	277.7	9.4	56.0	343.1	304.1
Retained (deficit) earnings	554.2	557.4	55.4	848.3	1,350.3	554.2
Total equity	1,720.2	1,661.5	64.8	494.6	2,220.9	1,720.2
Total liabilities and equity	1,892.8	10,752.7	259.8	6,934.0	4,896.7	14,942.6

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Condensed consolidating statements of cash flows

(US$ million) Year ended December 31, 2004	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	41.6	634.4	2.1	453.6		224.5
Cash flows from investing activities						
Purchases of fixed maturities held-to-maturity		214.9		13.3		228.2
Proceeds from sales and maturities of fixed maturities		936.3		3,179.7		4,116.0
Purchases of fixed maturities available-for-sale		1,663.5		2,756.7		4,420.2
Proceeds from sales of equity securities		279.6		703.5		983.1
Purchases of equity securities		61.6		479.7		541.3
Net increase in short-term investments		20.4		50.8		71.2
Proceeds from sales of other assets		54.2		28.1		82.3
Purchase of other assets		128.4		12.6		115.8
Notes receivable	46.7	49.2		135.9	231.8	
Investment in subsidiaries	355.1	108.7			463.8	
Net cash provided by (used in) investing activities	401.8	976.6		487.5	695.6	195.3
Cash flows from financing activities						
Capital contribution		402.9		108.7	511.6	
Notes payable	22.0	182.6		27.2	231.8	
Net purchases of common shares	6.0					6.0

Dividends to shareholders	47.8	47.8			47.8	47.8
Proceeds from Rights Offering	428.4					428.4
Rights Offering issuance costs	25.1					25.1
Net cash provided by (used in) financing activities	371.5	537.7		135.9	695.6	349.5
Effect of exchange rate changes on cash and cash equivalents	10.4	11.8		4.0		5.4
Change in cash and cash equivalents	0.9	207.3	2.1	173.8		384.1
Cash and cash equivalents as of January 1	1.2	121.9	2.1	155.6		280.8
Cash and cash equivalents as of December 31	2.1	329.2	4.2	329.4		664.9

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Condensed consolidating statements of income (US$ million) Year ended December 31, 2003	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Revenues						
Net premiums written		2,492.4		1,334.6		3,827.0
Net premiums earned		2,392.8		1,283.7		3,676.5
Net investment income	11.0	129.5	12.5	103.5	23.5	233.0
Net realized capital (losses) gains		10.7		29.1		18.4
Other income (loss)	35.0	30.8	39.5	5.7	35.3	2.7
Total revenues	46.0	2,480.8	52.0	1,410.6	58.8	3,930.6
Benefits, losses and expenses						
Losses, loss adjustment expenses and life benefits		1,588.9		1,085.3		2,674.2
Underwriting acquisition costs		522.1		251.1		803.2
Other operating and administration expenses	8.6	119.1	4.1	107.4	33.2	197.8
Interest expense	10.5		16.5	29.6	25.6	31.0
Total benefits, losses and expenses	19.1	2,260.1	12.4	1,473.4	58.8	3,706.2
Income (loss) before taxes	26.9	220.7	39.6	62.8		224.4
Income tax (expense) benefit	3.5	32.6		3.2		39.3
Income (loss) before equity in income (loss) of subsidiaries	23.4	188.1	39.6	66.0		185.1
Equity in income (loss) of subsidiaries	161.7	26.4			135.3	
Net income (loss)	185.1	161.7	39.6	66.0	135.3	185.1

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Consolidating balance sheets (US$ million) December 31, 2003	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Assets						
Invested assets						
Fixed maturities		1,925.5	14.8	2,984.3		4,928.6
Equity securities		441.8		398.4		840.2
Investment in subsidiaries	2,006.8	1,117.4			3,124.2	
Notes receivable	150.0		175.0		325.0	
Short-term and other investments	44.7	187.5		41.8	44.7	229.3
Total investments	2,201.5	3,676.2	189.8	3,424.5	3,493.9	5,998.1
Funds Withheld Asset		1,530.6				1,530.6
Total invested assets	2,201.5	5,206.8	189.8	3,424.5	3,493.9	7,528.7
Other assets						
Cash and cash equivalents	1.2	121.9	2.1	155.6		280.8
Premiums receivable		1,477.4		812.8	281.9	2,008.3
Reinsurance assets		790.7		2,221.4	1,069.5	1,942.6
Funds held by reinsureds		1,043.4		587.3	256.7	1,374.0
Deferred policy acquisition costs		293.6		86.5		380.1
Deferred income taxes		32.7		312.4		345.1
Other assets	42.7	170.2	46.1	233.9	2.1	495.0
Total assets	2,245.4	9,136.7	238.0	7,834.4	5,099.9	14,354.6
Liabilities and equity						
Liabilities						
		4,764.0		3,759.1	680.3	7,842.8

Losses and loss adjustment expenses, gross						
Unearned premiums, gross		827.2		867.8	227.6	1,467.4
Future life benefits, gross		62.4		496.8	75.7	483.5
Other reinsurance liabilities		1,040.4		398.9	352.0	1,087.3
Funds held under reinsurance contracts		247.7		538.9	256.8	529.8
Deferred income taxes		71.4		86.9		158.3
Accrued expenses and other liabilities	12.1	116.8	0.8	240.2	58.3	311.6
Notes payable	150.0			175.0	325.0	
Debt			193.4	197.2		390.6
Total liabilities	162.1	7,129.9	194.2	6,760.8	1,975.7	12,271.3
Equity						
Common stock and additional paid-in capital	1,569.7	1,546.1		1,169.3	2,715.4	1,569.7
Unearned stock compensation	6.1					6.1
Total accumulated other comprehensive income	261.4	242.7	4.2	51.8	298.7	261.4
Retained earnings (deficit)	258.3	218.0	39.6	147.5	110.1	258.3
Total equity	2,083.3	2,006.8	43.8	1,073.6	3,124.2	2,083.3
Total liabilities and equity	2,245.4	9,136.7	238.0	7,834.4	5,099.9	14,354.6

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Condensed consolidating statements of cash flows (US$ million) Year ended December 31, 2003	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	3.3	1,217.9	1.1	45.2		1,265.3
Cash flows from investing activities						
Purchases of fixed maturities held-to-maturity		192.4				192.4
Proceeds from sales and maturities of fixed maturities available-for-sale		904.9		2,908.5		3,813.4
Purchases of fixed maturities available-for-sale		1,828.1	14.8	3,211.1		5,054.0
Proceeds from sales of equity securities		47.8		46.5		94.3
Purchases of equity securities		178.2		66.0		244.2
Net decrease (increase) in short-term investments	3.6	256.6	42.7	25.8		277.1
Purchase of note receivable			25.0		25.0	
Investment in subsidiaries	29.9	106.8			76.9	
All other investing activity		17.1		4.9		22.0
Net cash provided by (used in) investing activities	33.5	1,113.3	2.9	352.8	101.9	1,327.8
Cash flows from financing activities						
Capital contribution				106.8	106.8	
Issuance of notes payable				25.0	25.0	
Net purchases of common shares	17.3					17.3
Dividends to shareholders	29.9	29.9			29.9	29.9

Net cash (used in) provided by financing activities	47.2	29.9		131.8	101.9	47.2
Effect of exchange rate changes on cash and cash equivalents	10.8	18.7		0.5		29.0
Change in cash and cash equivalents	0.4	93.4	1.8	176.3		80.7
Cash and cash equivalents as of January 1	0.8	28.5	0.3	331.9		361.5
Cash and cash equivalents as of December 31	1.2	121.9	2.1	155.6		280.8

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Condensed consolidating statements of income (US$ million) Year ended December 31, 2002	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Revenues						
Net premiums written		1,829.6		1,492.6		3,322.2
Net premiums earned		1,622.4		1,543.1		3,165.5
Net investment income	12.6	117.0	0.1	135.8	13.7	251.8
Net realized capital (losses) gains		13.9		3.6		10.3
Other (loss) income	0.5	11.9		2.5	10.1	1.2
Total revenues	12.1	1,737.4	0.1	1,680.0	23.8	3,405.8
Benefits, losses and expenses						
Losses and loss adjustment expenses and life benefits		1,178.7		1,313.3		2,492.0
Underwriting acquisition costs		291.0		375.7		666.7
Other operating and administration expenses	20.7	98.6	0.2	95.6		173.3
Interest expense	10.7	1.2	0.3	28.0	23.8	16.4
Total benefits, losses and expenses	10.0	1,569.5	0.1	1,812.6	23.8	3,348.4
Income (loss) before taxes	22.1	167.9		132.6		57.4
Income tax (expense) benefit	2.2	0.5		51.1		49.4
Income (loss) before equity in income (loss) of subsidiaries	19.9	168.4		81.5		106.8
Equity in income (loss) of subsidiaries	86.9	81.5			5.4	
Net income (loss)	106.8	86.9		81.5	5.4	106.8

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Converium Holding AG and Subsidiaries
Notes to the consolidated financial statements (continued)

Condensed consolidating statements of cash flows (US$ million) Year ended December 31, 2002	Converium Holding AG	Converium AG	Converium Finance S.A.	Non-Guarantor Entities	Consolidating Adjustments	Consolidated
Cash provided by operating activities	2.0	635.2	1.1	232.1		870.4
Cash flows from investing activities						
Proceeds from sales and maturities of fixed maturities		476.6		4,096.7		4,573.3
Purchases of fixed maturities		1,054.1		4,321.2		5,375.3
Proceeds from sales of equity securities		144.1		455.1		599.2
Purchases of equity securities		284.1		367.0		651.1
Net (increase) decrease in short-term investments	3.6	264.6	42.7	82.4		228.5
Purchase of note receivable			150.0		150.0	
Investment in subsidiaries		104.8			104.8	
All other investing activity		9.9	1.8	0.8		10.9
Net cash (used in) provided by investing activities	3.6	1,096.8	194.5	53.2	254.8	1,093.3
Cash flows from financing activities						
Issuance of guaranteed subordinated notes			193.7			193.7
Issuance of note payable		150.0			150.0	
Capital contribution				104.8	104.8	
Purchases of common shares	14.7					14.7
Net cash (used in) provided by financing activities	14.7	150.0	193.7	104.8	254.8	179.0
		0.6		14.5		15.1

Effect of exchange rate changes on cash and cash equivalents						
Change in cash and cash equivalents	16.3	312.2	0.3	269.2		59.0
Cash and cash equivalents as of January 1	17.1	340.7		62.7		420.5
Cash and cash equivalents as of December 31	0.8	28.5	0.3	331.9		361.5

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26. Subsequent events

Restructuring costs

As a result of the transition to a run-off entity in North America, a decision was made in January 2005 to vacate our primary office space in New York, New York and consolidate in our Stamford, Connecticut office space. We expect the effective date of the transfer to be July 1, 2005. Associated costs will be recorded as restructuring costs.

Settlement of Superior National Matters

On January 6 and January 7, 2005, CRNA and CINA, respectively, entered into the Settlement Agreement with the Commissioner relating to the January 16, 2002 complaint that the Commissioner filed against a subsidiary of ZFS, CIC and affiliates, as well as CRNA and CINA. The Commissioner had initiated this action in the Superior Court of the State of California, County of Los Angeles, on behalf of the SNICL.

Neither CRNA nor CINA shall pay any amounts whatsoever in exchange for the full and final discharge of liabilities, as set forth in the Settlement Agreement, that the Commissioner has granted to both companies. Instead, CIC shall be making the full payment that will provide the complete release to CRNA and CINA, as well as all other parties in the complaint. At a hearing on February 17, 2005, the Settlement Agreement was approved by the court presiding over the liquidation of the estates of SNICL. As a result, CIC s main performance under the settlement is now due 90 days from entry of the approval order. After that period has expired and CIC has performed, dismissals of the case are expected to be entered (see Note 21).

Settlement of U.S. Life Insurance Company arbitration

The arbitration initiated on November 29, 1999 by U.S. Life against SNICIL, CINA and CIC, has been settled as between U.S. Life and CINA. The settlement in January 2005 followed a December 2004 decision of the arbitration panel to reject U.S. Life s claim for rescission and to instead reform the reinsurance treaty provided by U.S. Life to a 90% quota share as opposed to a 100% quota share. U.S. Life and CINA agreed to settle the matter with a full and final commutation of the treaty in exchange for a commutation payment by U.S. Life (see Note 21).

Class action lawsuits

On January 21, 2005, *Bassin v. Converium Holding AG, et al.,* 04 CV 08295, a class action lawsuit against Converium and certain officers and directors was voluntarily dismissed, without prejudice, by the plaintiff in that action (see Note 21).

Appointment of Chief Executive Officer

On February 23, 2005, the Board of Directors appointed Terry G. Clarke to the position of Chief Executive Officer of Converium. Terry G. Clarke will continue to be a member of the Board of Directors (see Note 18).

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27. Subsequent Events (unaudited)

Winter Storm Erwin

Winter storm Erwin, which swept across Northern Europe in January 2005, resulted in net pre-tax losses for Converium in the amount of US$ 32.5 million, net of US$ 3.0 million in reinstatement premium.

Review of Certain of our Reinsurance Transactions

Ongoing investigations of the insurance and reinsurance industry and certain insurance and reinsurance products are being conducted by U.S. regulators and governmental authorities, including the Securities and Exchange Commission and the New York Attorney General.

On March 8, 2005, MBIA Inc. (MBIA) issued a press release stating that MBIA s audit committee undertook an investigation to determine whether there was an oral agreement with MBIA under which MBIA would replace Axa Re Finance as a reinsurer to CRNA by no later than October 2005. The press release stated that it appears likely that such an agreement or understanding with Axa Re Finance was made in 1998. Thereafter, on April 19, 2005, CRNA received subpoenas from the U.S. Securities and Exchange Commission and the Office of the New York Attorney General seeking documents related to certain transactions between CRNA and MBIA.

In view of the industry investigations and the events relating to MBIA described above, we have engaged counsel to assist us in a review and analysis of certain of our reinsurance transactions, including the MBIA transactions. We are fully cooperating with the governmental authorities in connection with their investigation. The impact of our ongoing review and analysis and the ongoing regulatory investigations on us is uncertain, and there can be no assurance as to whether or not the outcome of such investigations will have a material impact on Converium.

Retrocessional Risk Management

As a result of its risk management monitoring process, Converium reached a decision in the first quarter of 2005 to commute the obligations of one of its retrocessionaire s due to deterioration in that company s rating and concerns about the future ownership and prospects of the company. As a result Converium commuted certain retrocession contracts with reinsurance recoverables in the amount of US$ 100.1 million for a commutation settlement of US$ 60.1 million, which generated a negative impact of US$ 40.0 million on the net results in the first quarter of 2005, US$ 38.7 million of which is in losses. This negative impact reflects the long-tail nature of the expected future claims payment patterns in respect of the line of business concerned.

Long-Term Incentive Plan

Effective in 2005, CRNA has established a long-term incentive plan for its senior employees needed for the run-off. The CRNA LTIP is based on CRNA s performance against target plan statutory surplus levels over a 5-year period, 2005 through 2009. Awards are payable to participants in cash, in early 2010, after performance can be determined.

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Converium Holding AG
Report of Independent Registered Public Accounting Firm
On the Financial Statement Schedules

To the Board of Directors of Converium Holding AG, Zug

Our audits of the consolidated financial statements referred to in our report dated March 4, 2005, except as to the subsequent events described in Note 27, as to which the date is June 30, 2005, also included an audit of the financial statement schedules listed in part III Item 18(b) of this Form 20-F. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers Ltd.

Andrew Hill Martin Frei

Zurich, March 4, 2005

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Schedule I

Summary of investments other than investments in related parties as of December 31, 2004	Cost or amortized cost	Fair value	Amount at which shown in the balance sheet
		($ millions)	
Fixed maturities:			
Bonds held-to-maturity:			
US government	584.3	573.7	584.3
Other government	266.1	270.3	266.1
Total fixed maturities held-to-maturity	850.4	844.0	850.4
Bonds available-for-sale:			
US government	1,765.6	1,763.1	1,763.1
Other government	1,769.3	1,783.0	1,783.0
Public utilities	17.0	17.8	17.8
Other corporate debt securities	499.9	505.5	505.5
Unit trust	144.2	148.8	148.8
Mortgage and asset-backed securities	612.2	616.6	616.6
Total fixed maturities available for sale	4,808.2	4,834.8	4,834.8
Total fixed maturities	5,658.6	5,678.8	5,685.2
Equity securities:			
Common stocks:			
Public utilities	7.7	10.5	10.5
Banks, trusts, and insurance companies	37.1	47.3	47.3
Industrial, miscellaneous and all other	259.8	312.5	312.5
Unit trust	27.1	31.8	31.8
Non-redeemable preferred stocks	6.3	6.4	6.4
Total equity securities	338.0	408.5	408.5
Real estate	138.8	138.8	138.8
Policyholder, collateral and other loans	29.4	29.4	29.4
Other investments	101.6	104.1	104.1
Short-term investments	133.3	133.3	133.3

Total investments	6,399.7	6,492.9	6,499.3
Funds Withheld Asset	1,305.1	1,305.1	1,305.1
Total invested assets	7,704.8	7,798.0	7,804.4

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Schedule II

Converium Holding AG
Statements of (loss) income

($ millions)	**Year ended December 31, 2004**	**2003**	**2002**
Income			
Net investment income	13.4	11.0	12.6
Other income (loss)	23.5	35.0	(0.5)
Total revenues	36.9	46.0	12.1
Expenses			
Other operating and administration expenses	(11.6)	(8.6)	20.7
Interest expense	(10.6)	(10.5)	(10.7)
Total expenses	(22.2)	(19.1)	10.0
Income before taxes	14.7	26.9	22.1
Income tax benefit (expense)	2.5	(3.5)	(2.2)
Income before equity in income (loss) of subsidiaries	17.2	23.4	19.9
Equity in (loss) income of subsidiaries	(778.0)	161.7	86.9
Net (loss) income	(760.8)	185.1	106.8

See notes to our 2004 consolidated financial statements.

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Converium Holding AG
Balance sheets

	December 31, 2004	December 31, 2003
Assets		
Invested assets		
Investment in subsidiaries	1,661.5	2,006.8
Notes receivable	196.7	150.0
Short-term and other investments		44.7
Total invested assets	1,858.2	2,201.5
Other assets		
Cash and cash equivalents	2.1	1.2
Other assets	32.5	42.7
Total assets	1,892.8	2,245.4
Liabilities and equity		
Liabilities		
Accrued expenses and other liabilities	0.6	12.1
Notes payable	172.0	150.0
Total liabilities	172.6	162.1
Equity		
Common stock	554.9	253.0
Additional paid-in capital	1,430.6	1,326.7
Treasury stock	(7.7)	(10.0)
Unearned stock compensation	(7.5)	(6.1)
Total accumulated other comprehensive income	304.1	261.4
Retained earnings	(554.8)	258.3
Total equity	1,720.2	2,083.3
Total liabilities and equity	1,892.8	2,245.4

See notes to our 2004 consolidated financial statements.

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Schedule II

Converium Holding AG
Statements of cash flows

($ millions)	Year ended December 31, 2004	2003	2002
Cash flows from operating activities			
Net income (loss) before equity in income (loss) of subsidiaries	17.2	23.4	19.9
Changes in other assets and liabilities	24.4	(20.1)	(17.9)
Cash provided by operating activities	41.6	3.3	2.0
Cash flows from investing activities			
Issuance of note receivable	(46.7)		
Investment in Converium AG	(355.1)	29.9	
Net decrease (increase) in short-term investments		3.6	(3.6)
Net cash (used in) provided by investing activities	(401.8)	33.5	(3.6)
Cash flows from financing activities			
Issuance of note payable	22.0		
Net purchases of common shares	(6.0)	(17.3)	(14.7)
Dividends to shareholders	(47.8)	(29.9)	
Proceeds from 2004 rights offering	428.4		
2004 rights offering issuance costs	(25.1)		
Net cash provided by (used in) financing activities	371.5	(47.2)	(14.7)
Effect of exchange rate changes in cash and cash equivalents	(10.4)	10.8	
Change in cash and cash equivalents	0.9	0.4	(16.3)
Cash and cash equivalents, beginning of period	1.2	0.8	17.1
Cash and cash equivalents, end of period	2.1	1.2	0.8

See notes to our 2004 consolidated financial statements.

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Schedule IV

($ millions) Reinsurance	Gross Amount	Ceded to other Companies	Assumed from other Companies	Net Amount	% of amount assumed to net
Insurance premiums and other considerations:					
2004	$ 490.9	($287.9)	$ 3,350.0	$ 3,553.0	94.3%
2003	$ 561.4	($396.9)	$ 3,662.5	$ 3,827.0	95.7%
2002	$ 88.0	($213.6)	$ 3,447.8	$ 3,322.2	103.8%

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GLOSSARY OF SELECTED

INSURANCE AND REINSURANCE TERMS

Annuity	A contract that pays a periodic income benefit for the life of a person (the annuitant) or for a specified number of years, or a combination of the two, in return for a single premium payment. Immediate annuities provide income from the date the policy is taken out and deferred annuities provide income at a future specified date.
Cede; ceding insurer; cession	When an insurer reinsures its risk with another insurer (a cession), it cedes business and is referred to as the ceding insurer .
Co-insurance	Also referred to as original terms reinsurance, and refers to reinsurance contracts in which the reinsurer receives a portion of the premiums paid to the ceding company on the policies. Reinsurance premiums under a co-insurance contract will normally have the same premium arrangement as the original insurance policies, which may extend over several years.
Combined ratio	The sum of the loss ratio and the expense ratio for a non-life insurance company or a reinsurance company. A combined ratio below 100 generally indicates profitable underwriting. A combined ratio over 100 generally indicates unprofitable underwriting. An insurance company with a combined ratio over 100 may be profitable to the extent net investment results exceed underwriting losses. Expense ratio. The ratio of non-life insurance or reinsurance operating expenses (i.e., acquisition costs and profit participation net of reinsurance commissions) to net premiums earned plus administration expenses to net premiums written.
Facultative reinsurance	The reinsurance of part or all of the insurance provided by a single policy negotiated on a contract-by-contract basis.
Finite risk	Insurance and reinsurance policies under which the aggregate risk to the insurer or reinsurer is capped at a finite limit. Typically, such policies have maturities of several years and provide for sharing profits arising from the policy with the client at the policy maturity. The policy limit-to-premium ratio is frequently significantly lower than under traditional insurance and reinsurance policies.
Gross premiums written	Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for contracts with an insignificant amount of mortality or morbidity risk) during a specific period, without deduction for premiums ceded.
Incurred but not yet reported (IBNR)	Reserves for estimated losses and LAE which have been incurred but not yet reported to the insurer or reinsurer, including future

reserves	development of claims which have Incurred but not yet reported been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate.
Lapse	Termination of a policy because of surrender, failure to pay a premium or lack of sufficient cash value to maintain in-force status.
Loss	An insured event that is the basis for submission or payment of a benefit under an insurance policy. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy.

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Loss adjustment expenses (LAE)	The expenses of investigating and settling claims, including certain legal and other fees, and the expenses of administering the claims adjustment process.
Loss ratio	The ratio of a non-life insurance or reinsurance company s net incurred losses and LAE to net premiums earned.
Loss reserves	Reserves established by an insurer or reinsurer and reflected on its balance sheet to reflect the estimated cost of payments for claims for which the insurer or reinsurer ultimately will be required to indemnify insureds or reinsureds in the future in respect of losses occurring on or prior to the balance sheet date on insurance or reinsurance it has written and that has been earned. Loss reserves are composed of individual case reserves for reported claims and IBNR reserves.
National Association of Insurance Commissioners (NAIC)	An association of reinsurance regulatory officials of all 50 states and the District of Columbia organized to promote consistency of regulatory practice and statutory accounting standards throughout the United States.
Net premiums written	Gross premiums less premiums ceded for reinsurance.
Non-proportional reinsurance	Reinsurance under which the reinsurer s participation in a claim depends on the size of the claim. Also known as excess reinsurance .
Premiums earned	That portion of gross premiums written in current and past periods applying to the expired portion of the policy period.
Proportional reinsurance	Arrangement whereby the insurer cedes to the reinsurer an agreed fixed percentage of premiums and claims and other liabilities for each policy covered on a pro rata basis.
Reinsurance	The practice whereby one insurer, called the reinsurer, in consideration for premiums received, agrees to indemnify the ceding insurer for all or a portion of the risk under a policy or policies of insurance issued by the ceding insurer. The legal rights of the insured generally are not affected by the reinsurance transaction, and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.
Reserves	Liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments, benefits payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in accordance with the insurance or reinsurance it has written.
Retention	The amount or portion of risk which a ceding insurer retains for its own account. Losses and loss expenses paid by the ceding insurer in excess of the retention level are then reimbursed to the insurer by the

reinsurer. In proportional insurance, the retention may be a percentage of the original policy s limit. In non-proportional insurance, the retention is an amount of loss, a loss ratio or a percentage.

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Retrocessional Reinsurance	An arrangement under which a reinsurer cedes to another reinsurer (the retrocessionaire) all or a portion of the insurance risks reinsured by the first reinsurer. Retrocessional reinsurance generally does not legally discharge the ceding reinsurer from its liability to the original ceding company.
Survival Ratio	An industry measure of the number of years it would take a company to exhaust its A&E reserves for losses and loss expenses based on that company s current level of A&E claims payments. The ratio is derived by dividing the current ending losses and loss expense reserves by the average annual payments for the prior three years. The ratio is computed based on the ending reserves for losses and loss expenses over the respective claims settlements during the fiscal year.
Surrender	Many life insurance products permit the insured to withdraw a portion of the cash surrender value of the contract. Future benefits are reduced accordingly.
Tail	The period of time that elapses between the incurrence and settlement of losses under a policy. A short-tail insurance product is one where ultimate losses are known and settled comparatively quickly; ultimate losses under a long-tail insurance product are sometimes not known and settled for many years.
Treaty reinsurance	A type of reinsurance whereby the ceding company automatically cedes and the reinsurer automatically assumes a predetermined portion or category of specified risks underwritten by the ceding company.
Underwriting	The process whereby an insurer or reinsurer reviews applications submitted for insurance or reinsurance coverage and determines whether it will provide all or part of the coverage being requested for an agreed premium.
Underwriting results	The pre-tax profit or loss experienced by a non-life insurance company or reinsurance company after deducting incurred losses and loss expenses and operating expenses from premiums earned. This profit and loss calculation includes reinsurance assumed and ceded but excludes investment income.
Unit trust	Unit trusts can be invested in stocks, shares, government securities and other investment instruments. The fund is divided into units, which fluctuate in value, depending on the value of the overall fund. The unit trust is an open-ended fund which means it has a variable number of units in issue at any one time. Units are bought from and sold to the fund manager.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for the filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CONVERIUM HOLDING AG

By /s/ Terry G. Clarke
Name: Terry G. Clarke
Title: Chief Executive Officer, Converium Holding AG

By /s/ Andreas Zdrenyk
Name: Andreas Zdrenyk
Title: Chief Financial Officer, Converium Holding AG

Date: June 30, 2005

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INDEX TO EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation of Converium Holding AG, adopted November 8, 2001.*
1.2	Bylaws of Converium Holding AG, adopted November 16, 2001.*
1.3	Articles of Incorporation of Converium Holding AG, revised October 12, 2004.
1.4	Bylaws of Converium Holding AG, revised April 11, 2005.
2.1	Form of Deposit Agreement among Converium Holding AG, The Bank of New York, as Depositary, and all owners and beneficial owners from time to time of ADSs issued thereunder (including the form of ADS), incorporated by reference from the Registration Statement on Form F-6 of Converium Holding AG (File No. 333-14108), initially filed with the Commission on November 19, 2001.*
2.2	Indenture, dated as of October 20, 1993 between Zurich Reinsurance Centre Holdings, Inc. and The Bank of New York, as Trustee, relating to $200,000,000 principal amount of 7 1/8% Senior Notes due 2023 (and assumed by Converium Holdings (North America) Inc. pursuant to the Supplement Indenture included as Exhibit 2.3 hereto).* (Previously filed as Exhibit 3.1)
2.3	First Supplemental Indenture among Zurich Reinsurance Centre Holdings, Inc., as Issuer, Converium Holdings (North America) Inc., as Guarantor, and The Bank of New York, as Trustee, dated as of November 20, 2001.* (Previously filed as Exhibit 3.2)
2.4	Form of Indenture between Converium Finance, S.A., as Issuer, Converium AG and Converium Holding AG as Guarantors and JPMorgan Chase Bank as Trustee, Calculation Agent and Paying Agent.+
2.5	Form of the $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032 (included in Exhibit 2.4 hereto).+
2.6	Subordinated Guarantee by Converium Holding AG and Converium AG relating to $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032. ^
2.7	Indenture, dated December 23, 2002 between Converium Finance S.A., Converium Holding AG, Converium AG and JP Morgan Chase Bank, as trustee, relating to $200,000,000 principal amount of 8.25% Guaranteed Subordinated Notes Due 2032. ^
4.1	Master Agreement by and among Zurich Financial Services and Converium Holding AG, dated December 1, 2001.*
4.2	Stock Purchase Agreement between Zurich Reinsurance Centre Stock Purchase Agreement between Zurich Reinsurance Centre Holdings, Inc. and Converium Holdings (North America) Inc., dated as of October 1, 2001.*
4.3	

	Agreement for the Sale and Transfer of Shares in Zürich Rückversicherung (Köln) Aktiengesellschaft, dated September 28, 2001.*
4.4	Quota Share Retrocession Agreement between Zurich Insurance Company (including its Singapore, Labuan and Bermuda branches) and Converium AG, dated October 1, 2001.*
4.5	Quota Share Retrocession Agreement between Zurich International (Bermuda) Ltd. and Converium AG, dated October 1, (and effective as of July 1, 2001).*
4.6	Asset purchase and Assumption of Liability Agreement between Zurich Insurance Company and Converium AG, dated September 28, 2001.*
4.7	Indemnity Agreement (Unicover) between Zurich Reinsurance (North America), Inc. and Zurich Insurance

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Exhibit Number	Description
	Company, dated as of October 1, 2001.*
4.8	Indemnity Agreement (September 11th Cessions) between Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001.*
4.9	Indemnity Agreement (September 11th Losses) between Zürich Rückversicherung (Köln) Aktiengesellschaft and Zurich Insurance Company, dated as of October 1, 2001.*
4.10	Partial Commutation Agreement between Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001.*
4.11	Master Novation and Indemnity Reinsurance Agreement among Zurich Reinsurance (North America), Inc., Centre Insurance Company, Centre Solutions (U.S.) Limited and Zurich Insurance Company, Bermuda Branch, dated as of October 1, 2001.*
4.12	Group Reinsurance Business Master Novation and Indemnity Reinsurance Agreement by and among Zurich Reinsurance (North America), Inc., Zurich Insurance Company and Zurich International (Bermuda) Ltd., dated as of October 1, 2001.*
4.13	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1991 through December 31, 1993) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.14	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1994 through December 31, 1994) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance International Company, dated as of October 1, 2001.*
4.15	Commutation Agreement (covering the Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1995) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.16	Commutation Agreement (covering the Obligatory Surplus Share Reinsurance Agreement effective October 1, 1995) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance Limited, dated as of October 1, 2001.*
4.17	Commutation Agreement (covering the Obligatory Surplus Share Reinsurance Agreement effective November 6, 1992) between Zurich Reinsurance (North America), Inc. and Centre Reinsurance International Company, dated as of October 1, 2001.*
4.18	Agreement Amending and Terminating Centre Reinsurance Dublin Affiliated Group Tax Allocation Agreement among Orange Stone Delaware Holdings Limited, Orange Stone Reinsurance, Centre Reinsurance Holdings (Delaware) Limited, Centre Reinsurance (U.S.) Limited, Zurich Reinsurance Centre Holdings, Inc., Zurich Reinsurance (North America), Inc., ZC Insurance Company, ZC Specialty Insurance Company, Centre Risk Advisors, Inc., Constellation Reinsurance Company, Centre Re Services, Inc., Zurich Global Assets LLC, formerly known as BDA/US Services Limited, ZC Management Corporation, ZC Resource LLC, ZC Property Management, Inc. and Claims

	Solutions Group, dated October 1, 2001.*
4.19	Catastrophe Cover Retrocession Agreement by and between Converium AG and Zurich Insurance Company, dated December 1, 2001.*
4.20	Stock Purchase Agreement between Zurich Reinsurance (North America), Inc. and Centre Strategic Investments Holdings Limited, dated August 23, 2001.*
4.21	Run-off Services and Management Agreement between Zurich Insurance Company and Converium AG, dated December 3, 2001.*
4.22	Tax Sharing and Indemnification Agreement among Zurich Reinsurance Centre Holdings, Inc., Orange Stone Delaware Holdings Limited, Converium Holdings (North America) Inc., Zurich Reinsurance (North America), Inc. and Zurich Insurance Company, dated as of October 1, 2001. *
4.23	Tax Sharing and Indemnification Agreement between Zurich Financial Services, Zurich Insurance

Exhibit Number	Description
	Company, Converium Holding AG and Converium AG dated December 3, 2001. *
4.24	Form of Converium Standard Stock Option Plan for Non-US Employees. *
4.25	Form of Converium Standard Stock Purchase Plan for Non-US Employees. *
4.26	Omnibus Share Plan for US Employees. *
4.27	Converium Employee Stock Purchase Plan for US Subsidiaries.*
4.28	Form of Converium Annual Incentive Deferral Plan.*
4.29	Lease, between Zurich Insurance Company and Converium AG, dated August 29, 2001.*
4.30	Sublease Support Agreement among Zurich Reinsurance (North America), Inc., Global Asset Holdings Limited and Centre Insurance Company, dated as of October 1, 2001.*
4.31	Sublease between ZC Resource LLC and Zurich Reinsurance (North America), Inc., dated as of June 20, 2001.*
4.32	Form of Letter Agreement between Converium Holding AG and The Bank of New York, relating to the pre-release of the ADRs, incorporated by reference from the Registration Statement on Form F-6 of Converium Holding AG (File No. 333-14108), initially filed with the Commission on November 19, 2001.*
4.33	Agreement dated September 2, 2002, between Converium AG and MDU Investments Ltd, regarding subscription of up to 20 million shares at £1 each. ^
4.34	Share Purchase Agreement dated November 27, 2002, between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal and Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.35	Shareholder s Agreement dated March 12, 2003, between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal and Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.36	Sale and Purchase Agreement and Assignment between Converium AG and Converium Finance S.A. regarding the transfer of a $150 million loan granted to Converium Holding AG. ^
4.37	Amendment to Share Purchase Agreement dated November 27, 2002 between Converium AG and Northern States Agency Inc., Munich Re, Aviva and Royal Sun Alliance regarding Global Aerospace Underwriting Managers Limited (GAUM). ^
4.38	Agreement dated December 30, 2003, for the sale and purchase of 5.1% of Royal and Sun Alliance Insurance PLC s shareholding in Global Aerospace Underwriting Managers Limited (GAUM). #

4.39	Agreement dated July 24, 2003 $900,000,000 Credit Facility for Converium AG, Zurich arranged by ABN Amro Bank N.V., Barclay s Capital and Commerzbank Aktiengesellschaft. #
4.40	Agreement dated November 29, 2004, USD 1,600,000,000 Credit Facility for Converium AG, arranged by ABN AMRO Bank N.V., Barclay s Capital, BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse First Boston and J.P. Morgan.
4.41	Deed of Pledge, dated December 15, 2004, Converium Rückversicherung (Deutschland) AG as the Pledgor and ABN Amro Mellon Global Securities Services as the Account Bank and ABN Amro Bank N.V. as the Pledgee.
4.42	Deed of Pledge, dated December 15, 2004, Converium AG, Zürich, as the Pledgor, and ABN Amro Bank N.V. as the Pledgee and ABN Amro Mello Global Securities Services as the Account Bank.
4.43	Guarantee, dated October 21, 2004 between Converium AG, Zürich as the Guarantor, and Converium Insurance (UK) Limited.

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Exhibit Number	Description
4.44	Guarantee, dated October 21, 2004 between Converium AG, Zürich as the Guarantor, and Converium Rückversicherung (Deutschland) AG.
4.45	Fronting and Administration Agreement relating to the Global Aerospace Underwriters Pool, dated January 7, 2005, between Global Aerospace Underwriting Managers Limited, Global Aerospace, Inc., Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, National Indemnity Company and Converium AG.
7.1	Computation of ratio of earnings to fixed charges.
8.1	Subsidiaries of the Registrant.
12.1	302 Certification of Chief Executive Officer.
12.2	302 Certification of Chief Financial Officer.
13.1	906 Certification of Chief Executive Officer.
13.2	906 Certification of Chief Financial Officer.
14.1	Consent of PricewaterhouseCoopers Ltd, independent accountants.

* Incorporated by reference to the Company s Registration Statement filed on Form F-1, on December 10, 2001.

\+ Incorporated by reference to the Company s Registration Statement filed on Form F-1, on December 18, 2002.

^ Incorporated by reference to the Company s Annual Report on Form 20-F for the year ended December 31, 2002, filed on April 18, 2003.

\# Incorporated by reference to the Company s Annual Report on Form 20-F for the year ended December 31, 2003, filed on April 5, 2003.