CONVERIUM HOLDING AG
Form 20-F
April 18, 2003

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 333-14106

CONVERIUM HOLDING AG

(Exact name of Registrant as specified in its charter)
Not Applicable
(Translation of Registrant s name into English)

Switzerland
(Jurisdiction of incorporation or organization)

Baarerstrasse 8
CH-6300 Zug
Switzerland
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each Exchange on which registered
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one- half (1/2) of one registered share, nominal value CHF10 per share	New York Stock Exchange
Registered shares, nominal value CHF10 per share*	New York Stock Exchange
8.25% Guaranteed Subordinated Notes due 2032 issued by Converium Finance S.A.	New York Stock Exchange
Subordinated Guarantee of Subordinated Notes+	New York Stock Exchange

Not for trading, but only in connection with the listing of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

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\+ Not for trading, but only in connection with the listing of the Subordinated Notes, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2002, there were outstanding: 39,904,647 registered shares, nominal value CHF10 per share, including 7,855,604 American Depositary Shares (as evidenced by American Depositary Receipts), each representing one-half (1/2) of one registered share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x **No o**

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o **Item 18 x**

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PRESENTATION OF INFORMATION

In this annual report on Form 20-F, unless the context otherwise requires, Converium, we, us, and our refer to Converium Holding AG and our consolidated entities. Please refer to the glossary beginning on page G-1 for definitions of selected insurance and reinsurance terms.

We publish our financial statements in U.S. dollars, and unless we note otherwise, all amounts in this annual report are expressed in U.S. dollars. As used herein, references to U.S. dollars, dollars or $ and cents are to U.S. currency, references to Swiss francs or CHF are to Sv currency, references to yen or Japanese yen are to Japanese currency, references to British pounds or £ are to British currency and references to euro or are to the single European currency of the member states of the European Monetary Union at the relevant time.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements.

In particular, statements using words such as expect, anticipate, intend, believe or words of similar import generally involve forward-looking statements. This annual report includes a number of forward-looking statements, including the following:

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- certain statements in Item 4. Information on the Company B. Business Overview with regard to strategy and management objectives, trends in market conditions, prices, market standing and product volumes, investment results, litigation and the effects of changes or prospective changes in regulation
- certain statements in Item 4. Information on the Company B. Business Overview Regulation with regard to the effects of changes or prospective changes in regulation
- certain statements in Item 5. Operating and Financial Review and Prospects with regard to trends in results, prices, volumes, operations, investment results, margins, overall market trends, risk management and exchange rates
- certain statements in Item 11. Quantitative and Qualitative Disclosures About Market Risk with regard to sensitivity analyses for invested assets

In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements should not be considered a representation by us that objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those in the forward-looking statements, including factors set forth in Item 3. - Key Information D. Risk Factors and the following:

- cyclicality of the reinsurance industry
- uncertainties in our reserving process
- the occurrence of natural and man-made catastrophic events with a frequency or severity exceeding our estimates
- acts of terrorism and acts of war
- changes in economic conditions, including interest and currency rate conditions that could affect our investment portfolio
- actions of competitors, including industry consolidation and development of competing financial products
- a decrease in the level of demand for our reinsurance or increased competition in our industries or markets
- the lowering or loss of one of the financial or claims-paying ratings of one or more of our subsidiaries
- political risks in the countries in which we operate or in which we reinsure risks
- the passage of additional legislation or the promulgation of new regulation in a jurisdiction in which we operate or where our subsidiaries are organized
- changes in our investment results due to the changed composition of our invested assets or changes in our investment policy
- failure of our retrocessional reinsurers to honor their obligations
- failure to prevail in any current or future arbitration or litigation
- risks associated with implementing our business strategies
- extraordinary events affecting our clients, such as bankruptcies and liquidations

The factors listed above should not be construed as exhaustive. We cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements. Except as otherwise required by law, we undertake no obligation to publicly release any future revisions we may make to forward-looking statements to reflect events or circumstances or to reflect the occurrence of unanticipated events.

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The Company has made it a policy not to provide any quarterly or annual earning guidance and it will not update any past outlook for full year earnings. It will, however, provide investors with perspective on its value drivers, its strategic initiatives and those factors critical to understanding its business and operating environment.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL AND OTHER DATA

We prepare our consolidated and historical combined financial statements (financial statements) included in this annual report in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The following financial data highlights selected information that is derived from our financial statements as of and for the years ended December 31, 2002, 2001, 2000, 1999 and 1998, which have been audited by PricewaterhouseCoopers AG, independent accountants.

Converium was formed as a result of the divestiture of the former Zurich Re business of Zurich Financial Services in December 2001. For a description of the transactions that led to the divestiture, which we refer to herein as the Formation Transactions, see Item 4. Information on the Company A. History and Development of the Company. The financial statements are presented as if we had been a separate entity for all periods presented. The financial statements include estimates related to the allocation to Converium of costs of Zurich Financial Services corporate infrastructure prior to the Formation Transactions. We believe that these allocations are reasonable. However, this financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone entity during the periods covered.

	Year ended December 31				
	2002	2001	2000	1999	1998
	($ million, except per share information)				
Income statement data:					
Revenues:					
Gross premiums written	$ 3,535.8	$ 2,881.2	$ 2,565.8	$ 1,928.7	$ 1,458.8
Less ceded premiums written	(213.6)	(398.6)	(569.8)	(358.5)	(213.7)
Net premiums written	3,322.2	2,482.6	1,996.0	1,570.2	1,245.1
Net change in unearned premiums	(156.7)	(187.4)	(134.5)	(168.7)	(17.7)
Net premiums earned	3,165.5	2,295.2	1,861.5	1,401.5	1,227.4
Net investment income	251.8	228.7	176.0	214.0	255.4
Net realized capital (losses) gains	(10.3)	(18.4)	83.7	76.3	78.9
Other (loss) income	(1.2)	(5.8)	29.3	22.1	24.8
Total revenues	3,405.8	2,499.7	2,150.5	1,713.9	1,586.5

Benefits, losses and expenses:					
Total losses, loss adjustment expenses and life benefits	(2,492.0)	(2,300.5)	(1,604.5)	(1,138.7)	(917.3)
Total costs and expenses	(856.4)	(678.7)	(587.5)	(470.6)	(484.7)
Amortization of goodwill (1)		(7.8)	(7.3)	(6.2)	(6.2)
Restructuring costs		(50.0)			
Total benefits, losses and expenses	(3,348.4)	(3,037.0)	(2,199.3)	(1,615.5)	(1,408.2)
Income (loss) before taxes	57.4	(537.3)	(48.8)	98.4	178.3
Income tax benefit (expense)	49.4	169.9	19.5	(40.6)	(62.0)
Net income (loss)	$ 106.8	$ (367.4)	$ (29.3)	$ 57.8	$ 116.3

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	Year ended December 31				
	2002	2001	2000	1999	1998
	($ million, except per share information)				
Earnings (loss) per share:					
Number of shares (millions) (2)	39.9	40.0	40.0	40.0	40.0
Basic earnings (loss) per share	$2.68	$(9.18)	$(0.73)	$1.45	$2.91
Diluted earnings (loss) per share	2.64	(9.18)	(0.73)	1.45	2.91

	Year ended December 31				
	2002	2001	2000	1999	1998
	($ million, except per share information)				
Balance sheet data:					
Total invested assets	$ 6,117.3	$4,915.9	$4,349.7	$4,232.8	$3,898.1
Total assets	12,051.0	9,706.5	8,321.3	6,916.0	6,290.9
Reinsurance liabilities	9,454.8	7,677.9	6,486.6	5,048.9	4,409.9
Debt	390.4	197.0	196.9	196.8	196.7
Total liabilities	10,313.0	8,135.7	7,232.9	5,694.6	5,060.6
Total equity	1,738.0	1,570.8	1,088.4	1,221.4	1,230.3
Book value per share	43.55	39.27	27.21	30.54	30.76

	Year ended December 31				
	2002	2001	2000	1999	1998
	($ million)				
Other data:					
Net premiums written by segment:					
Converium Zurich	$1,670.5	$1,185.0	$ 818.3	$ 569.5	$ 439.9
Converium North America	1,193.9	898.4	844.7	677.3	533.3
Converium Cologne	289.8	257.8	218.6	238.6	209.3
Converium Life	168.0	141.4	114.4	84.8	62.6
Total net premiums written	$3,322.2	$2,482.6	$1,996.0	$1,570.2	$1,245.1
Non-life combined ratio	104.2%	129.0%	116.5%	112.5%	111.8%
Adjusted non-life combined ratio (3)	99.3%	108.8%	112.8%	122.3%	132.3%
Ratio of earnings to fixed charges (4)	3.7	(5)	(6)	5.9	10.6

(1) For a discussion on goodwill and Converium s compliance with SFAS 142, see Notes 2(k) and 7 to our consolidated financial statements

(2) Immediately following the Formation Transactions, we had 40,000,000 shares outstanding. Therefore, these shares are considered outstanding for all prior periods presented.

(3) The adjusted non-life combined ratio is calculated excluding prior years reserve development and September 11th terrorist attacks. The table below presents the adjustments for non-life net premiums written, net premiums earned and total losses and loss adjustment expenses related to prior years reserve development and September 11th terrorist attacks.

	Year ended December 31				
	2002	2001	2000	1999	1998
	($ million)				
Net premiums written	$	$ 34.5	$	$	$
Net premiums earned		34.5			
Prior years reserve development	148.5	123.6	65.4	(130.1)	(239.5)
September 11th terrorist attacks		277.2			

(4) The ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges. Fixed charges consist of interest expense and the interest portion of rental expense.

(5) Due to Converium s loss in 2001 the ratio coverage was less than 1:1. Converium would have needed to generate additional earnings of $537.3 million to achieve coverage of 1:1.

(6) Due to Converium s loss in 2000 the ratio coverage was less than 1:1. Converium would have needed to generate additional earnings of $48.8 million to achieve coverage of 1:1.

Dividends

For a discussion of our dividend policy, see Item 8. Financial Information A. Consolidated Statements and Other Financial Information Dividends and Dividend Policy.

B. CAPITALIZATION AND INDEBTEDNESS

In December 2002, Converium Finance S.A., a newly formed Luxembourg company, issued $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.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Cyclicality of the reinsurance industry may cause fluctuations in our results

The insurance and reinsurance industries, particularly the non-life market, are cyclical. Historically, operating results of reinsurers have fluctuated significantly because of volatile and sometimes unpredictable developments, many of which are beyond their direct control. These developments include:

- price competition
- frequency of occurrence or severity of both natural and man-made catastrophic events
- levels of capacity and demand
- general economic conditions
- changes in legislation, case law and prevailing concepts of liability

As a result, the reinsurance business historically has been characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of underwriting capacity permitted attractive premium levels. We expect to continue to experience the effects of this cyclicality, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our loss reserves may not adequately cover future losses and benefits

Our loss reserves may prove to be inadequate to cover our actual losses and benefits experience. To the extent loss reserves are insufficient to cover actual losses, loss adjustment expenses or future policy benefits, we would have to add to these loss reserves and incur a charge to our earnings which could have a material adverse effect on our financial condition, results of operations or cash flows.

Loss reserves do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of losses. All of our loss reserve estimates are based on actuarial and statistical projections, at a given time, of facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of our loss reserves.

Unforeseen losses, the type or magnitude of which we cannot predict, may emerge in the future. These additional losses could arise from newly acquired lines of business, changes in the legal environment, extraordinary events affecting our clients such as reorganizations and liquidations or changes in general economic conditions. We continue to conduct pricing and loss reserving studies for many casualty lines of business, including those in which preliminary loss trends are noted. For example, the Converium North America loss reserve analysis that resulted in our recording provisions for additional losses on our automobile excess, medical excess, professional liability (nursing homes) and umbrella liability lines of business in the third quarter and fourth quarters of 2002, also revealed that similar trends may be developing in other liability lines of business that we wrote in the years 1997 to 2000. Converium North America finalized its loss reserve analysis that resulted in the recording of additional provisions for losses on its commercial

umbrella, miscellaneous casualty (particularly professional liability, nursing homes), medical errors and omissions liability, motor liability, and workers compensation lines of business of $70.3 million net for the fourth quarter 2002, which are in addition to the $47.0 million that were recorded during the third quarter 2002. These additional provisions are the result of the continued emergence of increased reported losses versus expected losses related to prior years.

In addition, because we, like other reinsurers, do not separately evaluate each of the individual risks assumed under reinsurance treaties, we are largely dependent on the original underwriting decisions made by ceding companies. We are subject to the risk that our ceding companies may not have adequately evaluated the risks to be reinsured and that the premiums ceded to us may not adequately compensate us for the risks we assume.

We had $6,821.3 million of gross reserves and $5,361.5 million of net reserves for losses and loss adjustment expenses as of December 31, 2002. If we underestimated these net reserves by 5%, this would have resulted in $268.1 million of incurred losses and loss adjustment expenses, before income taxes, for the year ended December 31, 2002.

Our exposure to catastrophic events, both natural and man-made, may cause unexpected large losses

A catastrophic event or multiple catastrophic events may cause unexpected large losses and could have a material adverse effect on our financial condition, results of operations or cash flows. Natural catastrophic events to which we are exposed include windstorms, hurricanes, earthquakes, tornadoes, severe hail, severe winter weather, floods and fires, and are inherently unpredictable in terms of both their occurrence and severity. For example, in 1999 and 2002, the reinsurance industry suffered losses from windstorms and flooding in Europe. These events adversely affected our results.

We are also exposed to man-made catastrophic events, such as the terrorist attacks of September 11, 2001, which are difficult to predict and may have a significant adverse impact on our industry and on us. It is possible that both the frequency and severity of man-made catastrophic events will increase.

As a result, claims from natural or man-made catastrophic events could cause substantial volatility in our financial results for any period and adversely affect our financial condition or results of operations. Our ability to write new business could also be impacted. We believe that increases in the value and geographic concentration of insured property and the effects of inflation will increase the severity of claims from catastrophic events in the future.

The extent of our losses from catastrophic occurrences is a function of the total insured amount of losses our clients incur, the number of our clients affected, the frequency of the events and the severity of the particular catastrophe. In addition, depending on the nature of the loss, the speed with which claims are made and the terms of the policies affected, we may be required to make large claims payments upon short notice. We may be forced to fund these obligations by liquidating investments unexpectedly and in unfavorable market conditions, or raising funds at unfavorable costs, both of which could adversely affect the results of our operations.

Our efforts to protect ourselves against catastrophic losses, such as the use of selective underwriting practices, the purchasing of reinsurance (which, when bought by a reinsurer such as Converium, is known as retrocessional reinsurance) and the monitoring of risk accumulations, including on a geographic basis, may not prevent such occurrences from adversely affecting our profitability or financial condition.

The majority of the catastrophe reinsurance we write relates to exposures within the United States, Europe and Japan. Accordingly, we are exposed to catastrophic events which affect these regions, such as U.S. hurricane, California earthquake, European windstorm and Japanese earthquake events. Our estimated potential losses on a probable maximum loss (PML) basis, before giving effect to our retrocessional reinsurance protection, are managed to a self-imposed maximum gross limit of $400 million for a 250-year return period loss. See Item 4. Information on the Company B. Business Overview Catastrophe Risk Management.

Terrorist attacks and national security threats could result in the payment of material insurance claims and may have an enduring negative impact on our business

We believe that the terrorist attacks of September 11, 2001 represent the largest loss event in the insurance industry s history. As of December 31, 2002, we have estimated and recorded gross losses and loss adjustment expenses for claims arising in connection with the terrorist attacks of $692.0 million. Our recorded losses and loss adjustment expenses were $289.2 million, net of retrocessional reinsurance recoveries. Losses from our aviation and property businesses represented the majority of the net loss. The remainder of the losses were from our workers compensation, life and third-party liability lines of business. It is still early in the claims process, and our gross estimates are subject to revision as claims are received from insurers and our claims to our retrocessionaires are identified and processed.

We cannot assess the long-term effects of terrorist attacks and continuing threats to national security on our businesses at this time. The September 11th terrorist attacks, threats of further terrorist attacks and the military initiatives and political unrest in Iraq, Afghanistan and the Middle East have had and may continue to have a significant adverse effect on general economic, market and political conditions, increasing many of the risks in our businesses. Although Zurich Financial Services, through its subsidiaries, has agreed to arrangements that cap our exposure for losses and loss adjustment expenses arising out of the September 11th attacks at $289.2 million, net of retrocessional reinsurance recoveries, terrorist attacks and other man-made catastrophic events may have an enduring negative effect on our business, financial condition and results of operations.

For additional discussion of the impact of the September 11th terrorist attacks on our business, see Note 8 to our consolidated financial statements.

If we are unable to achieve our investment objectives, our financial condition may be adversely affected

Investment returns are an important part of our overall profitability, and fluctuations in the fixed income or equity markets could have a material adverse effect on our financial condition, results of operations or cash flows. In 2002, net investment income and net realized capital (losses) gains accounted for 7.1% of our revenues. Accordingly, our capital levels, ability to pay catastrophic claims and our operating results substantially depend on our ability to achieve our investment objectives, which may be affected by general political and economic conditions that are beyond our control.

Fluctuations in interest rates affect our returns on fixed income investments, as well as the market values of, and corresponding levels of capital gains or losses on, the fixed income securities in our investment portfolio. Generally, investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold and the proceeds reinvested at lower rates. During periods of rising interest rates, prices of fixed income securities tend to fall and realized gains upon their sale are reduced. General economic conditions can adversely affect the markets for interest-rate-sensitive securities, including the extent and timing of investor participation in such markets, the level and volatility of interest rates and, consequently, the value of fixed income securities. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control.

We invest a portion of our assets globally in equity securities, which are generally subject to greater risks and more volatility than fixed income securities. General economic conditions, stock market conditions and many other factors beyond our control can adversely affect the equity markets and, consequently, the value of the equity securities we own.

For the period 2000 through 2002, stock markets around the world generally experienced meaningful declines and significant volatility. However, this was partially offset by the impact of a lower interest rate environment. In 2002, we recorded net realized capital losses of $10.3 million. This included $48.3 million of impairment losses on our equity portfolio compared to $82.5 million of impairment losses in 2001. The decline in 2002 reflects the restructuring of our Converium North America and Converium Cologne portfolios, whereby certain unrealized losses were realized. The following table sets forth, for the periods indicated, our net unrealized (losses) gains on investments, net of taxes; net realized capital (losses) gains; and total invested assets as of and for the periods shown.

	Year Ended Dec. 31,		
	2002	**2001**	**2000**
		($ in millions)	
Net unrealized (losses) gains on investments, net of taxes	$ (53.3)	$ 30.3	$ 18.8
Net realized capital (losses) gains, pre-tax	(10.3)	(18.4)	83.7
Total invested assets	6,117.3	4,915.9	4,349.7

Competitive conditions in the reinsurance industry could adversely impact our results

The reinsurance industry is highly competitive. Since Converium has only entered the market under its own brand name in 2001, our competitors have greater name and brand recognition. Some of our competitors may have greater financial or operating resources or offer a broader range of products or more competitive pricing than we do. Our competitive position is based on many factors, including our overall financial strength, geographic scope of business, client relationships, premiums charged, contract terms and conditions, products and services offered, speed of claims payment, reputation, experience and qualifications of employees and local presence. We compete for reinsurance business in U.S., European and other international reinsurance markets with numerous reinsurance and insurance companies, some of which have greater financial or other resources and higher claims-paying ratings. We believe that our largest competitors include:

- Munich Reinsurance Company
- Swiss Reinsurance Company
- General Cologne Reinsurance Company, a subsidiary of Berkshire Hathaway, Inc.
- Employers Reinsurance Corporation, a subsidiary of General Electric Company
- Hannover Re Group, which is 75% owned by the mutual insurance group HDI Haftpflichtverband der Deutschen Industrie
- Lloyd s syndicates active in the London market
- Everest Reinsurance Company
- Transatlantic Reinsurance Company
- SCOR
- companies active in the Bermuda Market, including the Partner Re Group, XL Capital Ltd., Ace Ltd. and RenaissanceRe Holdings Ltd.

In addition, new companies have entered the reinsurance market and existing companies have raised additional capital to increase their underwriting capacity. Other financial institutions, such as banks, are now able to offer services similar to our own. In addition, we have recently seen the creation of alternative products from capital market participants that are intended to compete with reinsurance products. Moreover, following the September 11th terrorist events, a number of new reinsurers and other entities have been formed to compete in or with our industry, and a number of existing market participants have raised new capital, which may enhance their ability to compete. We are unable to predict the extent to which these new, proposed or potential initiatives may affect the demand for our products or the supply and terms of risks that may be available for us to consider underwriting.

Consolidation in the insurance industry could lead to lower margins for us and less demand for our reinsurance products and services

The insurance industry overall is undergoing a process of consolidation as industry participants seek to enhance their product and geographic reach, client base, operating efficiency and general market power through merger and acquisition activities. These larger entities may seek to use the benefits of consolidation to, among other things, implement price reductions for the products and services they purchase. If competitive pressures compel us to reduce our prices, our operating margins would decrease.

As the insurance industry consolidates, competition for customers may become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, which could reduce our operating margins. In addition, insurance companies that merge may be able to enhance their negotiating position when buying reinsurance and may be able to spread their risks across a larger capital base so that they require less reinsurance.

The loss of key executive officers could adversely affect us

Our success has depended, and will continue to depend, partly upon our ability to attract and retain executive officers and, in particular, on the continued service of Dirk Lohmann, the Group Chief Executive Officer of Converium, Richard E. Smith, the Chief Executive Officer of Converium North America, Frank Schaar, the Chief Executive Officer of Converium Cologne and Converium Life, Benjamin Gentsch, the Chief Executive Officer of Converium Zurich, and Martin Kauer, the Group Chief Financial Officer of Converium. Each of Mr. Lohmann, Mr. Smith, Mr. Gentsch, and Mr. Kauer serves in his capacity pursuant to an employment agreement with no specified duration of employment. The Board of Directors of Converium Germany decided on May 3, 2002 to renew Mr. Schaar s contract for five years starting January 1, 2003. If any of these executives ceases to continue in his present role without an organized succession, we could be adversely affected.

Our ability to execute our business strategy is dependent on our ability to attract and retain a staff of qualified underwriters and other personnel. Our management team includes a number of key personnel whose skills, experience and knowledge of the reinsurance industry constitute important elements of Converium s competitive strengths. If some or all of these managers leave their positions at Converium, even if we were able to find persons with suitable skills to replace them, our operations could be adversely affected.

A downgrade in our ratings may adversely affect our relationships with clients and brokers and negatively impact sales of our products

Claims-paying ability and financial strength ratings are a factor in establishing the competitive position of reinsurers. The claims-paying ability ratings assigned by rating agencies to reinsurance or insurance companies are based upon factors relevant to policyholders and are not directed toward the protection of investors.

A ratings downgrade, or the potential for such a downgrade, among other things, could adversely affect our relationships with agents, wholesalers and other distributors of our products and services, negatively impact new sales and adversely affect our ability to compete in our markets. Standard & Poor s Corporation has rated Converium A (Strong) and A.M. Best, Inc. has rated Converium A (Excellent). Our ratings may not satisfy the criteria required by some of our clients and brokers. Accordingly, we may suffer a loss of business as a result. Any reduction in our ratings could result in our reinsurance operations being removed from the approved lists of some brokers or clients and may adversely affect our ability to write business through such brokers or to such clients.

Over time the rating agencies could reexamine the ratings affecting our industry generally, including us.

Regulatory or legal changes could adversely affect our business

Insurance laws, regulations and policies currently governing us and our clients may change at any time in ways which may adversely affect our business. Furthermore, we cannot predict the timing or form of any future regulatory initiatives. We are subject to applicable government regulation in each of the jurisdictions in which we conduct business, particularly in Switzerland, the United States and Germany. Regulatory agencies have broad administrative power over many aspects of the insurance and reinsurance industries. Government regulators are concerned primarily with the protection of policyholders rather than shareholders or creditors.

Recently, the insurance and reinsurance regulatory framework has been subject to increased scrutiny in many jurisdictions. Changes in current insurance regulation may include increased governmental involvement in the insurance industry, initiatives aimed at premium controls, requirements for participation in guaranty associations or other industry pools and other changes which could adversely affect the reinsurance business and economic environment. Such changes could impose new financial obligations on us, require us to make unplanned modifications of our products and services, or result in delays or cancellations of sales of our products and services.

The reinsurance industry is also affected by political, judicial and other legal developments, which have at times in the past resulted in new or expanded theories of liability. We cannot predict the future impact of changing law or regulation on our operations and any changes could have a material adverse effect on our financial condition, results of operations or cash flows. See Item 4. Information on the Company B. Business Overview Regulation.

We purchase retrocessional reinsurance, which subjects us to credit risk and may become unavailable on acceptable terms

In order to limit the effect on our financial condition of large and multiple losses, we buy reinsurance for our own account. This type of insurance is known as retrocessional reinsurance. From time to time, market conditions have limited, and in some cases have prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance which they consider adequate for their business needs. There can be no assurance that we will be able to obtain our desired amounts of retrocessional reinsurance. There is also no assurance that, if we are able to obtain such retrocessional reinsurance, we will be able to negotiate terms as favorable to us as in prior years.

A retrocessionaire s insolvency or its inability or unwillingness to make payments under the terms of its reinsurance treaty with us could have a material adverse effect on us. Therefore, our retrocessions subject us to credit risk because the ceding of risk to retrocessionaires does not relieve a reinsurer of its liability to the ceding companies. See Item 4. Information on the Company B. Business Overview Retrocessional Reinsurance.

Because we depend on reinsurance brokers for a large portion of revenue, loss of business written through them could adversely affect us

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We market our reinsurance products worldwide in substantial part through reinsurance brokers. In some markets, such as the London market and the United States, we principally write through reinsurance brokers. In 2002, two reinsurance intermediaries each produced approximately 13.0% of our gross premiums written. Loss of all or a substantial portion of the business written through brokers could have a material adverse effect on us.

Our reliance on reinsurance brokers exposes us to their credit risk

In 2002, approximately 65.0% of our gross premiums written were written through brokers. In accordance with industry practice, we frequently pay amounts owed on claims under our policies to reinsurance brokers, and these brokers, in turn, pay these amounts over to the insurers that have reinsured a portion of their liabilities with us. We refer to these insurers as ceding insurers. In some jurisdictions, or pursuant to some contractual arrangements, if a broker fails to make such a payment, we may remain liable to the ceding insurer for the deficiency. Conversely, in certain jurisdictions, when the ceding insurer pays premiums for these policies to reinsurance brokers for payment over to us, these premiums are considered to have been paid and the ceding insurer will no longer be liable to us for those amounts, whether or not we have actually received the premiums. Consequently, in connection with the settlement of reinsurance balances, we assume a degree of credit risk associated with reinsurance brokers around the world.

Foreign exchange rate fluctuations may impact our results

We publish our financial statements in U.S. dollars. Therefore, fluctuations in exchange rates used to translate other currencies, particularly European currencies including the euro, British pound and Swiss franc, into U.S. dollars will impact our reported financial condition, results of operations and cash flows from year to year. These fluctuations in exchange rates will also impact the U.S. dollar value of our investments and the return on our investments. For 2002, approximately:

40 % of our net premiums written

26 % of our net investment income

35 % of our losses and loss adjustment expenses and life benefits and

57 % of our operating expenses

were denominated in currencies other than the U.S. dollar. For a discussion of the impact of material changes in foreign exchange rates on our shareholders equity, see Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We may be adversely affected if Zurich Financial Services or its subsidiaries fail to honor their obligations to us or our clients

As part of the Formation Transactions, we entered into a number of contractual agreements with Zurich Financial Services and its affiliates including the Master Agreement, the Quota Share Retrocession Agreement, the Master Novation and Indemnity Reinsurance Agreement, service agreements, lease agreements and certain indemnity agreements. Among other things, under the Quota Share Retrocession Agreement, Zurich Financial Services, through its subsidiaries, provides us with a substantial portion of our investment returns. Additionally, Zurich Financial Services, through its subsidiaries, has agreed to arrangements that cap our exposure, net of retrocessional reinsurance recoveries, for losses and loss adjustment expenses arising out of the September 11th terrorist attacks at $289.2 million, the amount of loss and loss adjustment expenses we recorded as of September 30, 2001. In addition, subsidiaries of Zurich Financial Services have provided us with retrocessional reinsurance protection, provided coverage for certain workers compensation exposure ceded to the Unicover Occupational Accident Reinsurance Pool, indemnified us for specified taxes and other matters and agreed to lease or sublease office space to us. See Item 4. Information on the Company A. History and Development of the Company and Item 10. Additional Information C. Material Contracts. Therefore, we are exposed to credit risk from Zurich Financial Services with respect to these obligations.

In addition, Zurich Financial Services subsidiaries remain the legal counterparty for many of our assumed reinsurance contracts. Although we do not have credit risk exposure with respect to these contracts, if these Zurich Financial Services subsidiaries do not honor their commitments efficiently and effectively to these clients, we might bear reputational risk.

The financial and investment return information included in this annual report may not be indicative of our future financial performance

For periods ended December 31, 2001 and earlier, we derived the historical financial information included in this annual report from historical financial statements of Zurich Financial Services. These financial statements present the financial condition, results of operations and cash flows of the businesses, which prior to the Formation Transactions, were owned by Zurich Financial

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Services and now comprise Converium. Accordingly, these financial statements may not necessarily reflect the results Converium would have achieved had it been a separate, stand-alone entity during the periods presented or the financial position, results of operations and cash flows of Converium in the future.

Historically, a significant portion of our invested assets were managed by Zurich Financial Services pursuant to the Zurich Financing Agreement. Since the Zurich Financing Agreement was terminated effective July 1, 2001, and replaced by the Funds Withheld Asset, our historical investment results are not indicative of the investment results we may achieve in the future.

In addition, under the Quota Share Retrocession Agreement, the Funds Withheld Asset may be prepaid to us, in whole or in part, as of the end of any calendar quarter. In the event that the Funds Withheld Asset is prepaid, we would have to reinvest these assets in investments and we may not be able to invest them at yields comparable to those payable under the Quota Share Retrocession Agreement. To the extent we are not able to invest these funds at comparable yields, our investment income could be adversely affected. See Item 5. Operating and Financial Review and Prospects.

We may be restricted from disposing of assets and may suffer negative tax consequences in the case of a change of control

Certain tax considerations and contractual arrangements with Zurich Financial Services may make an acquisition of Converium less likely and limit our ability to dispose of assets or enter into new lines of business. Because of the qualification of the Formation Transactions under Swiss tax law as partially exempt from the Swiss Share Issuance Tax to Converium, we may be restricted from certain disposals of assets, and may further face adverse tax consequences if the ownership of one third or more of our registered shares comes to be held by one shareholder or a group of related shareholders. See Item 10. Additional Information C. Material Contracts Swiss Tax Consequences to Converium of the Formation Transactions.

Future European Commission directives may disadvantage companies like us which are not established within the European Union

In October 2002, the European Commission, or EC, released a draft Proposal for a Directive of the European Parliament and of the Council concerning reinsurance and retrocession. The draft proposal provides for certain protections, freedoms of action and other benefits for reinsurance companies established within the European Union when engaging in business in other EU member states. As our subsidiary, Converium AG, is established in Switzerland, if this Directive is eventually adopted we might not be entitled to these same benefits within the EU as other reinsurers which have been established there. In this case, Converium AG may be at a disadvantage in doing business in the EU in comparison to its competitors established in EU member states. Since Converium AG derives a substantial proportion of our revenues within the EU, any competitive disadvantages we face there could have an adverse effect on our results of operations.

ITEM 4. INFORMATION ON THE COMPANY

Converium Holding AG was incorporated in Switzerland on June 19, 2001 as a joint stock company as defined in article 620 et seq. of the Swiss Code of Obligations. We were registered on June 21, 2001 in the Commercial Register of the Canton of Zug with registered number CH-170.3.024.827-8. Our registered office is Baarerstrasse 8, CH-6300 Zug, Switzerland.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

On March 22, 2001, Zurich Financial Services announced its intention to divest substantially all of its third-party reinsurance business historically operated under the Zurich Re brand name. This business had been managed and operated as a global operation since 1998. We refer to the formation transactions and the global offering described below in this annual report as the Formation Transactions. As part of the Formation Transactions, ownership of this business was consolidated under Converium Holding AG, a newly incorporated Swiss company. The financial statements included in this annual report reflect this business.

The Formation Transactions consisted of the following principal steps:

- the transfer to us of the Converium Zurich reinsurance business now conducted by Converium AG, through a series of steps including:
  - our reinsurance of this business through quota share retrocession agreements with two units of Zurich Financial Services, which we refer to collectively as the Quota Share Retrocession Agreement

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the establishment of funds withheld balances in our favor by the applicable units of Zurich Financial Services, which we refer to collectively as the Funds Withheld Asset, on which we will be paid investment returns by the Zurich Financial Services units

the acquisition of the Converium Cologne reinsurance business through the transfer by a subsidiary of Zurich Financial Services to Converium AG of its 98.63% interest in Zürich Rückversicherung (Köln) AG, which was renamed Converium Rückversicherung (Deutschland) AG and which we refer to as Converium Germany. Converium s interest in Converium Germany increased to 100% in January 2003.

the acquisition of the Converium North America reinsurance business through the transfer by a subsidiary of Zurich Financial Services of all of the voting securities of Zurich Reinsurance (North America) Inc. to Converium Holdings (North America) Inc., a wholly owned subsidiary of Converium AG. In conjunction with this transfer, Converium Holdings (North America) Inc. assumed $200 million of public debt from a subsidiary of Zurich Financial Services, and Zurich Reinsurance (North America), Inc. was renamed Converium Reinsurance (North America) Inc.

the transfer of assets including cash, marketable securities and participations by Zurich Financial Services and its subsidiaries to Converium, together with the assumption of liabilities

the sale of 35,000,000 of our registered shares to the public by Zurich Financial Services on December 11, 2001 in a global offering and the subsequent sale of 5,000,000 of our registered shares to the public by Zurich Financial Services on January 9, 2002 as a result of the underwriters exercise of their over-allotment option, which sales resulted in the public owning 100% of our shares

after the global offering, Converium AG acquired from subsidiaries of Zurich Financial Services approximately $140 million of residential and commercial rental properties located in Switzerland

As part of the Formation Transactions, Zurich Financial Services and its subsidiaries transferred cash and other assets and liabilities to Converium. The assets transferred to us included:

approximately $70 million in shares in PSP Swiss Property Ltd., a Swiss company listed on the SWX Swiss Exchange

approximately $50 million in units of Zurich Invest Aktien Euroland, an investment fund quoted on the Frankfurt Stock Exchange. This investment was sold in 2002.

the shareholders equity of the legal entities comprising our operating businesses

the operating assets of the Converium Zurich business

The balance of the assets transferred to us consisted of cash, of which approximately $140 million was used by Converium AG to acquire residential and commercial rental properties located in Switzerland from subsidiaries of Zurich Financial Services.

We invested the cash contributed to us by Zurich Financial Services in accordance with our investment policy. For a description of our investment policy, see B. Business Overview Investments.

For a description of the agreements and transactions involved in the Formation Transactions and our divestiture from Zurich Financial Services, including certain ongoing contractual arrangements with Zurich Financial Services, see Item 10. Additional Information C. Material Contracts.

Converium Finance S.A. is a company incorporated for unlimited duration under the laws of Luxembourg on October 7, 2002. The issuer has authorized share capital of 31,000 divided into 3,100 shares with a par value of 10 per share, 3,099 of which are owned by Converium AG and one of which is held by BAC Management S.a.r.l., a director of the issuer, and all of which are fully paid. Converium Finance S.A. s registered office is 54, boulevard Napoleon Ier, L-2210 Luxembourg. The object of the issuer, as stated in its Articles of Incorporation, is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies.

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B. BUSINESS OVERVIEW

Overview

Converium is a leading global reinsurer whose business operations are recognized for innovation, professionalism and service. We believe we are accepted as a professional lead reinsurer for all major lines of non-life and life reinsurance. We actively seek to create innovative and efficient reinsurance solutions to complement our clients business plans and needs. We focus on core underwriting skills and on developing close client relationships while honoring ours and our clients relationships with brokers. We have the ability to cover risks globally and to provide meaningful capacity worldwide. Based on calendar year 2001 third-party net premiums written, we rank among the ten largest global professional reinsurers.

Converium was formed through the restructuring and integration of the third-party reinsurance business of Zurich Financial Services. We believe that our separation from Zurich Financial Services presents significant opportunities and benefits for us. We believe we have benefited from our new status as an independently managed, publicly traded company. In particular, we continue to secure new and expanded relationships with clients who may have been reluctant to enter into business relationships or share proprietary information with the reinsurance operation of a competitor like Zurich Financial Services. We also believe that our separation from Zurich Financial Services increases our future financial flexibility and the long-term possibilities of further expansion in the form of new business opportunities and strategic alliances. In addition, as an independently managed reinsurer, we are in a position to compete for the reinsurance premiums ceded by Zurich Financial Services, of which only minimal premiums are reflected in our historical results.

We organize our business around four operating segments consisting of our three Non-Life segments, Converium Zurich, Converium North America and Converium Cologne, and our Converium Life segment as follows:

Converium Zurich manages our non-life reinsurance businesses in the United Kingdom, Western and Southern Europe (Switzerland, Spain, Italy, Portugal, France and Ireland), the Benelux countries, Latin America, the Far East and the Pacific Rim, Israel and Southern Africa. Converium Zurich is also the primary center of expertise for aviation and space, credit and surety, marine and engineering reinsurance and provides technical support for catastrophe risk assessment and modeling for our global operations.

Converium North America, based in New York, manages our non-life reinsurance businesses in the United States and Canada, and is our global center of expertise for agribusiness.

Converium Cologne manages the non-life reinsurance businesses in Germany, Austria, Northern Europe (Denmark, Sweden, Iceland, Finland and Norway), Central and Eastern Europe (Russia, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Bulgaria and Romania), the Middle East and Northern Africa. In addition, Converium Cologne has worldwide underwriting responsibility for health reinsurance with the exception of the U.S. market, which is written by Converium North America.

Converium Life manages the worldwide life reinsurance business.

We offer a full range of traditional non-life and life reinsurance products as well as innovative non-traditional solutions to help our clients manage capital and risk. Our principal lines of non-life reinsurance include liability, property, motor, credit and surety, workers compensation, aviation and space, accident and health, marine, engineering and other specialized lines. The principal life reinsurance product is ordinary life reinsurance, including quota share, surplus coverage and financing contracts.

We underwrite reinsurance both directly with ceding companies and through brokers, giving us the flexibility to pursue business in accordance with our ceding companies preferred reinsurance purchasing method. Globally, approximately 35.0% of our 2002 gross premiums written were written on a direct basis and approximately 65.0% were written through brokers.

We believe that one of our competitive strengths is our ability to work closely with our clients while honoring ours and our clients relationships with brokers. A key component of this competitive strength is our strong focus on client relationship management. We believe it is imperative that we fully understand our clients businesses in order to provide better solutions to our clients and enhance our own profitability. Direct communication with our clients enables us to obtain the in-depth details required for the proper analysis and understanding of our clients exposures. We seek to establish and maintain contacts with key decision makers

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in the organizations of our clients, particularly with their chief executive officers, chief financial officers and actuarial and underwriting managers.

As a component of our strategy of getting closer to our clients and enhancing our understanding of the risks and other financial aspects of their business, we aligned our organizational structure to better serve our clients and enhance knowledge sharing among our underwriters, actuaries, client relationship managers and other personnel. This structure brings together professionals with treaty expertise and facultative specialists, focusing them around lines of business. We believe the combination of the two disciplines yields a stronger risk analysis and ultimately more profitable business opportunities for us, by allowing us to utilize the detailed knowledge of individual risks possessed by our facultative professionals in underwriting treaty business. For example, in North America our facultative offices now report to persons with line of business responsibility. In Europe, we have established client relationship managers, supported by underwriters with both treaty and facultative expertise in all major lines of business. These client relationship managers are able to call upon our expertise from wherever it may be located within our global organization and establish multi-disciplinary client teams to address our clients needs. These teams seek to provide additional services to our clients, such as advice on balance sheet and operating risk management, underwriting audits and assistance with risk capital allocation.

As a reflection of our financial strength and stability, Standard & Poor s Corporation has rated Converium A (Strong) and A.M. Best Company Inc. has rated Converium A (Excellent). These ratings are based upon factors of concern to reinsurance clients and are not a measure of protection afforded to investors. These ratings may be revised, suspended or withdrawn at any time by the relevant rating agency. See - Ratings.

Our Strategy

Our goal is to be one of the leading providers of reinsurance solutions in the global marketplace, thereby creating significant long-term value for our shareholders. Our strategy to achieve this goal is to:

- Maintain strong underwriting discipline and profitability focus
- Seek to lead the majority of our business
- Increase our long-tail business in European, Asian and Latin American markets
- Expand in specialty lines and structured/finite reinsurance
- Grow our life reinsurance operations
- Generate additional business through long-term strategic alliances
- Develop and implement capital market tools to provide additional underwriting capacity and to mitigate risk
- Expand our position in attractive markets

Our strategy is described in more detail below.

Maintain strong underwriting discipline and profitability focus. We have implemented numerous operational and structural initiatives to focus us on expected profitability whenever we underwrite or price business or pursue new opportunities. We measure profitability as the expected present value of cash flows relating to a piece of business, including allocated overhead, and relate it to the required return on risk capital allocated to that business. We analyze the projected and actual profitability and risk profile of our portfolio in the aggregate as well as on subportfolio, contract and client levels to focus our resources on business that meets or exceeds our strict profitability requirements and complies with our overall strategy.

We believe an integrated global management structure is key to ensuring that our aggregate business risk/return profile is optimized, that skills and experiences across our organization can be accessed locally to seize attractive business opportunities as they arise, and that our underwriting guidelines and objectives are continuously fulfilled.

Seek to lead the majority of our business. We seek to function as a leading reinsurer; this means that we strive to set terms and prices for the business we write, rather than following those established by other reinsurers. However, we believe that operating as a lead reinsurer also means that we must apply the underwriting discipline of a lead underwriter, and consistently utilize our risk modeling and quantitative analytical tools, even in circumstances where we do not write the largest share of a particular reinsurance treaty. This also means that we establish walk-away prices and focus on profitability rather than market share, including in commodity lines of business, such as property catastrophe. It finally means that we seek to develop close and continuing relationships with our clients, irrespective of whether we write the business directly or through brokers.

Increase our long-tail business in European, Asian and Latin American markets. We are pursuing growth in long-tail lines of business such as motor, general third-party, professional and product liability, employers liability and workers compensation. Generally, we consider a line to be long-tail if potential claims are not likely to be paid within three years. Partly as a result of this time lag, these lines require analytical sophistication and expertise for appropriate pricing. Furthermore, we believe that demand for third-party liability insurance, particularly with respect to motor, professional and product liability coverage, will grow at an above-average rate and will provide us with additional possibilities for attractive growth.

Expand in specialty lines and structured/finite reinsurance. We are seeking to expand the proportion of our business derived from specialty lines, including aviation and space, credit and surety, agribusiness and other weather-related products, e-commerce risks, accident and health, engineering, professional liability and marine. These lines require specialized skills in respect of risk assessment and pricing and offer the opportunity to achieve higher levels of underwriting profitability. In this regard we have made substantial investments in technical expertise and core underwriting skills and employ accountants, mathematicians, lawyers, agronomists, meteorologists, geophysicists and engineers to bolster the capabilities of our underwriters and actuaries.

As with our specialty lines, we are focused on increasing structured/finite business because we believe that this is a field where we can demonstrate our skills and thus justify prices that reflect our services and capabilities. In addition, we believe that the market for structured/finite reinsurance solutions has the potential to grow over the next several years due to conditions in the insurance and reinsurance marketplace. Finally, we believe the market for solutions in connection with extraordinary corporate events, such as mergers, acquisitions and restructurings, will continue to provide attractive opportunities for structured/finite products.

Grow our life reinsurance operations. We are actively seeking to expand our Converium Life operations. Life business is attractive to us because it is generally less volatile and less capital-intensive than non-life business and it gives us the opportunity to increase the diversification of our business portfolio.

We believe the demand for life reinsurance is growing rapidly in many markets, and consequently we are seeking to increase our presence in key life reinsurance markets. Foremost among these are Germany, Italy, France, Latin America, the United States and the Middle East. In addition, we believe that many factors will contribute to increased demand for life and pension insurance products, including the aging of the population, increased privatization of pension benefits in many countries and an increasing need for financial support and financial risk management services among life insurers in our primary markets. For example, as the growth of production by primary insurers typically carries with it a new business strain caused either by the financing of commission and other acquisition costs or by statutory solvency requirements, many of our clients often resort to reinsurance to provide them with financing or surplus relief.

Generate additional business through long-term strategic alliances. We are seeking alliances with partners who have strengths in areas outside our core skills, such as distribution, claims management or branding, and who may benefit from our distinct capabilities or capacity.

Develop and implement capital market tools to provide additional underwriting capacity and to mitigate risk. We have developed substantial capital markets expertise which we can use both to provide additional capacity to our clients and to improve our own results and risk profile.

In addition, we believe we are skilled in designing risk transfer mechanisms both for ourselves and for our clients, and plan to work with clients to help them access the capital markets.

Expand our position in attractive markets. We are focusing on selected mature reinsurance markets with growth and profitability potential. In particular, we view Germany as a market with above average growth opportunities as we transition ourselves to a viable lead market alternative to the existing domestic market participants. We have targeted a number of emerging markets which we believe represent particularly attractive growth opportunities, including Asia, Latin America, Central and Eastern Europe, Northern Africa and the Middle East.

Further, we are also seeking to maintain our presence as a leading provider of property catastrophe reinsurance solutions. We believe our technical expertise, modeling capability and risk management skills equip us to price these risks appropriately and assume a larger, globally diversified portfolio.

Our Business

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We offer a full range of non-life and life reinsurance as well as structured/finite solutions, with clients and coverages throughout the world. The principal lines of business written by our three Non-Life segments include liability, property, motor, credit and surety, workers compensation, aviation and space, accident and health, marine, engineering and other specialized lines. Our other specialized lines include agribusiness, multi-peril and whole account reinsurance. Our Converium Life operations, which are managed worldwide from Cologne, Germany, provide life reinsurance products and related services.

In addition to our offices in Cologne, New York, Zug and Zurich, we have branch offices in Bermuda, Labuan, Milan, Paris, Singapore and Sydney, as well as marketing offices in Atlanta, Buenos Aires, Chicago, Kuala Lumpur, London, Mexico City, Mission Viejo, San Francisco, Sao Paulo and Tokyo. In addition, we have administrative offices in Stamford, Connecticut.

The table below presents, by segment, the distribution of our net premiums written and income for the year ended December 31, 2002.

	Year Ended December 31, 2002		
	Net premiums written		Segment income (loss)
	$ millions	% of total	$ millions
Business Segments:			
Converium Zurich	$1,670.5	50.3%	$ 225.9
Converium North America	1,193.9	35.9	(57.0)
Converium Cologne	289.8	8.7	(64.4)
Eliminations			(11.3)
Total Non-Life	3,154.2	94.9	93.2
Converium Life	168.0	5.1	(19.4)
Total	$3,322.2	100.0%	$ 73.8

The table below presents the geographic distribution of our net premiums written for the years ended December 31, 2002, 2001 and 2000, based on the location of the ceding companies.

	Year Ended December 31,					
	2002		2001		2000	
	$ millions	% of total	$ millions	% of total	$ millions	% of total
Non-Life:						
North America	$1,387.9	44.0%	$ 985.3	42.1%	$ 955.9	50.8%
United Kingdom	901.1	28.5	601.4	25.7	315.3	16.8
Germany	131.5	4.2	114.5	4.9	82.9	4.4
France	94.9	3.0	42.6	1.8	49.5	2.6
Europe (rest)	226.8	7.2	251.9	10.8	252.6	13.4
Far East/Pacific Rim	147.8	4.7	121.6	5.2	84.7	4.5
Near and Middle East	104.4	3.3	94.1	4.0	69.4	3.7
Latin America	159.8	5.1	129.8	5.5	71.3	3.8
Total Non-Life	$3,154.2	100.0%	$2,341.2	100.0%	$1,881.6	100.0%

	Year Ended December 31,					
	2002		2001		2000	
	$ millions	% of total	$ millions	% of total	$ millions	% of total
Converium Life:						
North America	$ 66.8	39.7%	$ 53.1	37.6%	$ 71.3	62.3%
Germany	33.4	19.9	27.9	19.7	14.4	12.6
United Kingdom	(1.2)	(0.7)	(8.0)	(5.7)	2.2	1.9
France	14.4	8.6	17.8	12.6	(0.5)	(0.4)
Europe (rest)	40.6	24.1	29.1	20.6	18.0	15.7
Far East/Pacific Rim	0.4	0.3				
Near and Middle East	7.7	4.6	5.1	3.6	4.8	4.2
Latin America	5.9	3.5	16.4	11.6	4.2	3.7
Total Converium Life	$ 168.0	100.0%	$ 141.4	100.0%	$ 114.4	100.0%
Total	$3,322.2		$2,482.6		$1,996.0	

The table below presents the distribution of our net premiums written by line of business for the years ended December 31, 2002, 2001 and 2000.

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	Year Ended December 31,					
	2002		2001		2000	
	$ millions	% of total	$ millions	% of total	$ millions	% of total
Non-Life						