CONVERIUM HOLDING AG
Form 6-K
October 28, 2003

Table of Contents

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the period ending September 30, 2003

CONVERIUM HOLDING AG

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

(Address of principal executive offices)
Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F ____

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

Yes ____ No __X__

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

Table of Contents

Investor information

Shareholders Meeting

The Annual General Meeting will be held at 10:30 a.m. local time on Tuesday, April 27, 2004 at the Casino in Zug, Switzerland.

Transfer Agent & Registrar

For American Depository Shares (ADS) traded on the New York Stock Exchange:

The Bank of New York
Corporate Trust Office
101 Barclay Street
New York, NY 10286
USA
Telephone: +1 646 885 3300

Auditors

PricewaterhouseCoopers AG
Stampfenbachstrasse 73
P.O. Box 634
8035 Zurich
Switzerland
Telephone: +41 1 630 1111
Fax: +41 1 630 1115

Stock Trading

Converium Holding Ltd common shares are traded on the SWX Swiss Stock Exchange under the trading symbol CHRN and as ADS (0.5 of a common share) on the New York Stock Exchange under the trading symbol CHR.

First nine months of 2003				
SWX Swiss Stock Exchange	High	72.00	Low	52.00
New York Stock Exchange	High	26.12	Low	19.25
First quarter of 2003				
SWX Swiss Stock Exchange	High	69.25	Low	52.00
New York Stock Exchange	High	24.84	Low	19.25
Second quarter of 2003				
SWX Swiss Stock Exchange	High	72.00	Low	56.05
New York Stock Exchange	High	26.12	Low	20.52
Third quarter of 2003				
SWX Swiss Stock Exchange	High	66.10	Low	59.50
New York Stock Exchange	High	23.84	Low	21.67

First listed	December 11, 2001 SWX Swiss Stock Exchange and New York Stock Exchange
Major shareholders as of September 30, 2003	Fidelity International Limited, Bermuda, holds 9.87% Wellington Management Company, Boston, holds 7.68%

Investor Relations Contact

Zuzana Drozd
Head of Investor Relations
Telephone: +41 1 639 9120

E-mail: zuzana.drozd@converium.com

TABLE OF CONTENTS

Table of Contents

Table of Contents

Contents

Table of Contents

Financial highlights

	Three months ended September 30 (US$ million, except per share information)		Nine months ended September 30 (US$ million, except per share information)	
	2003	2002	2003	2002
Gross premiums written	1,009.6	745.0	3,222.1	2,518.7
Net premiums written	887.4	697.3	2,971.3	2,388.8
Net premiums earned	918.6	754.8	2,715.4	2,271.9
Total investment results	52.9	88.8	183.4	160.5
Income (loss) before taxes	55.1	-41.3	150.9	1.1
Net income (loss)	44.3	-5.6	128.9	26.0
Basic earnings (loss) per share	1.12	-0.14	3.24	0.65
Annualized return on equity	10.2%	-1.4%	9.9%	2.2%
Loss ratio (non-life)	69.2%	90.0%	72.1%	78.4%
Underwriting expense ratio (non-life)	22.5%	16.5%	21.6%	21.2%
Administration expense ratio (non-life)	4.0%	5.6%	4.0%	4.6%
Combined ratio (non-life)	95.7%	112.1%	97.7%	104.2%

	Sept. 30, 2003	Dec. 31, 2002
Total equity	1,940.0	1,738.0
Total underwriting reserves, net of reinsurance	7,801.0	6,736.0
Total invested assets	7,103.0	6,117.3
Book value per share	48.77	43.55

Table of Contents

The Converium share

In the third quarter of 2003, the Converium share and the ADS both underperformed versus the European and the American Insurance Indices.

Converium Share versus European Insurance Index

Converium ADS versus US Insurance Index

4

Table of Contents

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

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

Results of operations

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Pre-tax income (loss)	55.1	-41.3	150.9	1.1
Net realized capital (losses) gains	-1.3	29.9	6.2	-31.4
Pre-tax operating income (loss)	56.4	-71.2	144.7	32.5
Net income (loss)	44.3	-5.6	128.9	26.0

We reported net income of US$ 44.3 million and US$ 128.9 million for the three and nine months ended September 30, 2003, respectively, representing increases of US$ 49.9 million and US$ 102.9 million versus the same periods in 2002. The increases are due to continued improvements in the non-life underwriting results, as well as pre-tax net realized capital gains in 2003 versus pre-tax net realized capital losses in 2002.

We reported pre-tax operating income (defined as pre-tax income excluding pre-tax net realized capital gains or losses) of US$ 56.4 million for the three months ended September 30, 2003, an increase of US$ 127.6 million as compared to pre-tax operating loss of US$ 71.2 million for the same period of 2002. In the third quarter of 2002, the operating results were impacted by losses from the European floods of US$ 50.0 million and the recognition of a US$ 59.6 million provision for net development on prior years reserves. For the nine months ended September 30, 2003, we reported pre-tax operating income of US$ 144.7 million, an increase of US$ 112.2 million as compared to pre-tax operating income of US$ 32.5 million for the same period of 2002. For the nine months ended September 30, 2003, this increase was primarily due to significant premium growth and a lower non-life combined ratio. This was partially offset by a technical loss of US$ 35.3 million on our Guaranteed Minimum Death Benefit (GMDB) book in 2003.

For the three months ended September 30, 2003, gross premiums written increased 35.5%, net premiums written increased 27.3% and net premiums earned increased 21.7%. For the nine months ended September 30, 2003, gross premiums written increased 27.9%, net premiums written increased 24.4% and net premiums earned increased 19.5%. The growth was spread across most lines of business and resulted from increased rates, increasing the share of clients business upon renewing existing business or writing new business.

Our non-life combined ratio was 95.7% for the three months ended September 30, 2003, compared to 112.1% in the same period of 2002. For the nine months ended September 30, 2003, our non-life combined ratio was 97.7% compared to 104.2% in the same period of 2002. In the third quarter of 2002, our results were impacted by losses from the European floods of US$ 50.0 million and the recognition of a US$ 59.6 million provision for net development on prior years reserves (US$ 84.0 million for the nine months ended September 30, 2002). Pre-tax income was not materially impacted in 2003 by developments of prior years reserves.

We recorded pre-tax net realized capital losses of US$ 1.3 million for the three months ended September 30, 2003 and pre-tax net realized capital gains of US$ 6.2 million for the nine months ended September 30, 2003, as compared to pre-tax net realized capital gains of US$ 29.9 million and pre-tax net realized capital losses of US$ 31.4 million for the same periods of 2002, respectively.

Our effective tax rate was 19.6% for the three months and 14.6% for the nine months ended September 30, 2003. The 2003 year-to-date effective tax rate was reduced by a change in expected tax rates in Switzerland in the first quarter. Our 2002 taxes reflect a benefit of US$ 23.7 million as the result of a ruling received from the Swiss tax authorities in the third quarter of 2002.

The components of net income are described in more detail below:

Table of Contents

Reinsurance results

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Gross premiums written	1,009.6	745.0	3,222.1	2,518.7
Net premiums written	887.4	697.3	2,971.3	2,388.8
Net premiums earned	918.6	754.8	2,715.4	2,271.9

For the third quarter of 2003, gross premiums written increased US$ 264.6 million, or 35.5% compared to the same period of 2002, and net premiums written increased US$ 190.1 million, or 27.3% for the same period. For the nine months ended September 30, 2003, gross premiums written increased US$ 703.4 million, or 27.9% and net premiums written increased US$ 582.5 million, or 24.4% compared to the same period of 2002. We retained 92.2% and 94.8% of our gross premiums written for the nine months ended September 30, 2003 and 2002, respectively.

The increases in non-life net premiums written predominately reflect the continued improved market conditions and new client relationships in certain key markets. For the nine months ended September 30, 2003, Standard Property & Casualty Reinsurance grew by US$ 161.6 million or 14.5% and Specialty Lines grew by US$ 361.2 million or 34.6%. Life & Health Reinsurance grew by US$ 59.7 million or 26.4%, driven by growth in accident & health business in North America and in Continental Europe.

Net premiums earned for the nine months ended September 30, 2003 increased US$ 443.5 million, or 19.5% compared to the same period of 2002. The growth in net premiums earned lags that of net premiums written, as the new business written will be earned over several quarters.

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Losses, loss adjustment expenses and life benefits	-662.2	-678.5	-1,994.9	-1,789.0
Non-life loss ratio (to premiums earned)	69.2%	90.0%	72.1%	78.4%

Our losses, loss adjustment expenses and life benefits incurred decreased US$ 16.3 million, or 2.4% for the three months ended September 30, 2003 and increased US$ 205.9 million, or 11.5% for the nine months ended September 30, 2003, both as compared to the same periods of 2002. In the third quarter of 2002, we recorded US$ 50.0 million in losses related to the European floods. In addition, our result was impacted by the recognition of a US$ 59.6 million and US$ 84.0 million provision for net development on prior years reserves for the three and nine months ended September 30, 2002, respectively.

Pre-tax income was not materially impacted in 2003 by developments on prior years' reserves. In the third quarter of 2003, positive development of prior years reserves on aviation & space and property business were partially offset by developments on the motor and workers compensation portfolios. Risk diversification is a basic risk management tool in the insurance and reinsurance industry. As a multi-line reinsurer, there are always likely to be reserve adjustments at the line of business level. Converium s book of business is broadly diversified by line of business as well as balanced by region and by the expected duration of its claims obligations.

The non-life loss and loss adjustment expense ratio was 69.2% and 72.1% for the three and nine months ended September 30, 2003 as compared to 90.0% and 78.4% for the same periods in 2002. The decrease in the non-life loss ratio in 2003 reflects the strong growth of premiums with a relatively low frequency of loss activity. Pre-tax income was not materially impacted in 2003 by developments of prior years reserves.

Our net reserves for the September 11th terrorist attacks are capped at US$ 289.2 million by Zurich Financial Services.

Guaranteed Minimum Death Benefit (GMDB) Business

In the three months ended September 30, 2003, based on in-depth analyses, a substantially enhanced model, and best estimates applied as assumptions for all key parameters, the Life & Health Reinsurance segment strengthened the total net reserves of its Guaranteed Minimum Death Benefit (GMDB) business by US$ 14.3 million to US$ 58.1 million. We have secured the ability to call upon additional reinsurance protection of up to US

6

Table of Contents

$ 75.0 million over the strengthened reserve levels at September 30, 2003. Based on information available today, this additional reinsurance protection adequately addresses potential adverse deviations to the key assumptions i.e. mortality risks, lapse rate risks, withdrawal rate risks, and investment risks incorporated in our models. The net amount at risk further decreased to US$ 1.0 billion as per September 30, 2003.

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Underwriting acquisition costs	-201.8	-131.3	-582.3	-478.7
Operating and administration expenses	-45.5	-48.2	-142.4	-132.3
Non-life underwriting expense ratio (to premiums earned)	22.5%	16.5%	21.6%	21.2%
Non-life administration expense ratio (to premiums written)	4.0%	5.6%	4.0%	4.6%

Underwriting acquisition costs primarily relate to commissions on treaty and individual risk business. Our underwriting acquisition costs increased US$ 70.5 million, or 53.7% for the three months ended September 30, 2003 over the same period in 2002. In 2002, there was a cumulative catch-up for common accounts in the Lloyds capital provision and qualifying quota share business, which led to a decrease in underwriting acquisition costs of US$ 30.3 million, offset by a decrease in net premiums earned of US$ 37.8 million. The non-life underwriting expense ratio for the three months ended September 30, 2003 and 2002 was 22.5% and 16.5%, respectively.

Our underwriting acquisition costs increased 21.6% for the nine months ended September 30, 2003 over the same period in 2002. This increase is mainly related to the growth in premiums earned. The non-life underwriting expense ratio for the nine months ended September 30, 2003 and 2002 was stable at 21.6% and 21.2%, respectively.

Operating and administration expenses decreased 5.6% in the three months ended September 30, 2003 over the same period in 2002 and increased 7.6% in the nine months ended September 30, 2003 over the same period in 2002. Due to the strength of our premium growth and a strong expense management culture, the non-life administration expense ratio declined to 4.0% for the nine months ended September 30, 2003, compared to 4.6% in the same period of 2002.

Investment results

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Net investment income	54.2	58.9	177.2	191.9
Average annualized net investment income yield (pre-tax)	3.0%	4.5%	3.4%	4.8%
Net realized capital (losses) gains	-1.3	29.9	6.2	-31.4
Total investment results	52.9	88.8	183.4	160.5
Average annualized total investment income yield (pre-tax)	2.9%	6.7%	3.5%	4.1%
Change in net unrealized gains (losses) (pre-tax)	10.9	-21.4	115.9	-40.0
Total investment return (pre-tax)	63.8	67.4	299.3	120.5
Average annualized total investment return (pre-tax)	3.5%	4.9%	5.7%	3.0%

Investment results are an important part of our overall profitability. Our net investment income was US$ 54.2 million for the three months ended September 30, 2003, representing a decrease of US$ 4.7 million, or 8.0% as compared to the same period of 2002. Net investment income was US$ 177.2 million for the nine months ended September 30, 2003, representing a decrease of US$ 14.7 million, or 7.7% as compared to the same period of 2002.

Our average annualized total investment income yield was 2.9% for the three months ended September 30, 2003 as compared to 6.7% for the same period of 2002, and 3.5% for the nine months ended September 30, 2003 as

Table of Contents

compared to 4.1% for the same period of 2002. The yields in 2002 were significantly impacted by the realized capital gains recorded as a result of the restructuring of the fixed income portfolios. Additionally, the decrease in yield in 2003 is also due to sustained lower interest rates worldwide.

Our average annualized total investment return was 3.5% for the three months ended September 30, 2003 as compared to 4.9% for the same period of 2002. During 2003, we reduced the duration in certain fixed maturities portfolios as a hedge against the risk of rising interest rates. This policy, combined with the continued equity market recovery explains the positive return notwithstanding the increase in interest rates over the third quarter. For the nine months ended September 30, 2003, as a result of the global capital market recovery which positively impacted changes of the unrealized capital positions, the total investment return was US$ 299.3 million for 2003 (or average annualized total return of 5.7%), an increase of US$ 178.8 million compared to previous year (2002: US$ 120.5 million with an average annualized total return of 3.0%).

Yields and returns are calculated based on the average of beginning and ending investment balances (including cash and cash equivalents).

We had net realized capital losses for the three months ended September 30, 2003 of US$ 1.3 million, compared to net realized capital gains of US$ 29.9 million for the same period of 2002. In 2002, the net realized capital gains were primarily due to the restructuring of the North American fixed income portfolio, resulting in gains of US$ 52.9 million. These gains were offset by impairment charges and realized capital losses on equity securities following the continued deterioration in global capital markets.

We had net realized capital gains for the nine months ended September 30, 2003 of US$ 6.2 million, compared to net realized capital losses of US$ 31.4 million for the same period of 2002. Included in the 2002 realized amounts were gains on the restructuring of the North American fixed income portfolio of US$ 52.9 million, offset by losses on the restructuring of the North American equity portfolio of US$ 32.7 million, total impairment charges of US$ 30.7 million, and losses realized on the sale of WorldCom fixed income investments of US$ 15.8 million.

We recorded US$ 3.0 million and US$ 9.2 million of impairment charges for the three months and US$ 24.9 million and US$ 30.7 million for the nine months ended September 30, 2003 and 2002, respectively. Our impairment policy for fixed income and equity securities requires us to record, as realized capital losses, declines in value that exceed 20% over a period of six months, or in excess of 50% regardless of the period of decline. At management s judgment, we impair additional securities based on prevailing market conditions. To continue to adhere to emerging asset impairment standards, starting with the second quarter, we further reinforced our already strict impairment rules. Now, any declines in value on our equity portfolio over a period of more than twelve months are recorded as realized capital losses. In the third quarter of 2003, this change resulted in additional impairment charges of US$ 2.7 million.

Other

	Three months ended Sept. 30		Nine months ended Sept. 30	
(US$ million)	**2003**	**2002**	**2003**	**2002**
Other (loss) income		-23.5	-4.4	-19.9
Interest expense	-6.9	-3.4	-23.9	-11.4
Income tax (expense) benefit	-10.8	35.7	-22.0	24.9

Other income for the three months ended September 30, 2003 was nil as compared to other loss of US$ 23.5 million for the same period of 2002. Other loss for the nine months ended September 30, 2003 and 2002 was US$ 4.4 million and US$ 19.9 million, respectively. Other loss in 2002 includes realized currency losses of US$ 17.7 million for the third quarter and US$ 19.9 million year-to-date.

Interest expense for the three and nine months ended September 30, 2003 was US$ 6.9 million and US$ 23.9 million, respectively, compared to US$ 3.4 million and US$ 11.4 million for the same periods of 2002. The increase was mainly due to interest expense on our US$ 200.0 million 8.25% guaranteed subordinated notes issued in December 2002.

We had income tax expense of US$ 10.8 million and US$ 22.0 million for the three months and nine months ended September 30, 2003, respectively, compared to income tax benefits of US$ 35.7 million and US$ 24.9 million for the same periods in 2002. Our 2002 taxes reflect a benefit of US$ 23.7 million as the result of a ruling received from the Swiss tax authorities in the third quarter of 2002. The effective tax rate was 19.6% for the three months and 14.6% for the nine months ended September 30, 2003. The 2003 year-to-date effective tax rate was reduced by a change in expected tax rates in Switzerland in the first quarter.

Table of Contents

Financial Condition and Liquidity

Invested Assets

As of September 30, 2003, total invested assets were US$ 7.1 billion compared to US$ 6.1 billion as of December 31, 2002, an increase of US$ 985.7 million, or 16.1%. This increase is mainly due to strong operating cash flow of US$ 904.0 million as well as increases in unrealized gains on investments, and changes in currency translation due to the weakening of the US dollar.

Our asset mix, including cash and cash equivalents, consisted of the following at September 30, 2003 and December 31, 2002:

Asset Class	As of Sept 30, 2003	As of Dec 31, 2002
Fixed maturity securities (including the Funds Withheld Asset)	80.7%	78.6%
Equity securities*	9.0%	7.0%
Cash and short-term investments	6.9%	10.5%
Real estate and other*	3.4%	3.9%
Total	100.0%	100.0%

* PSP Swiss Property AG is included in Real estate and other with a market value of US$ 69.4 million as of September 30, 2003 and US$ 75.0 million as of December 31, 2002.

Our investments are managed mostly by external investment managers, and their performance is measured against benchmarks. The table below presents our investments in the major managed portfolios, as well as the applicable benchmark and benchmark return for the third quarter of 2003. The balances at September 30, 2003 are shown in original currencies.

		Performance [1]		
(in millions of original currencies unless noted)	Market value	Benchmark	Portfolio	Delta
Largest portfolios in US$				
Fixed maturities	2,140.3	0.74% [2]	0.65%	-0.09%
Mortgage-backed securities	850.6	0.51% [3]	0.28%	-0.23%
Equity securities	342.0	2.81% [4]	2.75%	-0.06%
Largest portfolios in Euro				
Fixed maturities	358.9	0.27% [5]	0.16%	-0.11%
Equity securities	135.5	2.73% [6]	2.75%	0.02%
Largest portfolios in British pounds				
Fixed maturities	116.4	-0.70% [7]	-0.83%	-0.13%
Equity securities	51.6	2.80% [8]	2.94%	0.14%
Largest portfolio in Swiss francs				
Real estate (direct and indirect)	322.5	n.a	1.17%	n.a.
Largest portfolio in Australian $				
Fixed maturities	125.3	-0.40% [9]	-0.51%	-0.11%

1 Performance is defined as quarterly time-weighted return.

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

3 Lehman Mortgage Index

4 MSCI USA Index, S&P 500

5 SSB Euro World BIG Index ex MBS ex BBB

[6] MSCI Euro ex UK

Table of Contents

[7] FTSE Government All Stock Index

[8] MSCI UK

[9] UBSWA Composite all

Fixed Maturities

As of September 30, 2003, our fixed maturities portfolio, excluding the Funds Withheld Asset (described more fully below), had a carrying value of US$ 4.4 billion and represented 59.3% of total investment portfolio including cash and cash equivalents (80.7% including the Funds Withheld Asset). This represents an increase in carrying value of US$ 943.0 million, or 27.4%, from December 31, 2002. This increase was driven by 2003 cash flows from operations, the reinvestment in 2003 of proceeds received in late 2002 from our guaranteed subordinated notes, and unrealized gains on fixed maturities.

To protect our balance sheet from a possible rise of the yield curves, we reduced the modified duration of our bond portfolio, excluding HTM securities, to 3.6. Additionally we created a portfolio of held-to-maturity government bonds totaling US$ 417 million, (or 9.5% of our fixed income portfolio, excluding the Funds Withheld Asset) of which US$ 308 million were transferred from AFS to HTM and US$ 109 million were directly invested from operational cash flow.

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

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

(US$ million) As of Sept. 30, 2003	Estimated fair value Available-for-sale (AFS)	% of total AFS	Carrying value Held-to-maturity (HTM)	% of total HTM
One year through five years	2,008.5	50.6%	98.6	23.7%
Five years through ten years	607.3	15.3%	281.0	67.4%
Over ten years	83.2	2.1%	37.0	8.9%
Subtotal	2,699.0	68.0%	416.6	100.0%
Mortgage and asset-backed securities	850.6	21.4%		
Unit trust bonds	419.9	10.6%		
Total as of September 30, 2003	3,969.5	100.0%	416.6	100.0%