CONVERIUM HOLDING AG
Form 6-K/A
August 19, 2005

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Form 6-K/A
(Amendment No. 1)
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 June 30, 2005
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 ý **Form 40-F** o

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 o **No** ý

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

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The purpose of this Form 6-K/A is to amend the Form 6-K filed by Converium Holding AG (the Company) on August 10, 2005 (the Original Form 6-K) to correct the inadvertent typographical errors outlined below.

- The Company s consolidated gross loss and loss adjustment expense reserves at December 31, 2004, which is presented under the caption Financial Condition and Liquidity Gross loss and loss adjustment expense reserves and future life benefits in Management s Discussion and Analysis of Financial Condition and Results of Operations, was US$ 8,915.6 million rather than the amount of US$ 7,503.7 million presented in the Original Form 6-K.
- The amount of US$ 442.5 million referred to under the caption Financial Condition and Liquidity Cash Flows and Liquidity Sources in Management s Discussion and Analysis of Financial Condition and Results of Operations, refers to cash provided by operating activities for the six months ended June 30, 2004 rather than cash provided by as presented in the Original Form 6-K.
- The Company s consolidated Income tax benefit (expense) for the three months ended June 30, 2005, which is presented in the Unaudited Interim Statements of Income, was US$ 21.6 million rather than the amount of US$ -21.6 million presented in the Original Form 6-K.
- The Company s consolidated Deferred income taxes , which is presented as a liability on the Interim Balance Sheet, was US$ 145.0 million at June 30, 2005 and US$ 157.2 million at December 31, 2004, rather than the amounts of US$ 311.3 million and US$ 348.5 million, respectively, presented in the Original Form 6-K.
- The Company s consolidated Non-risk transfer reinsurance liabilities , which is presented as a liability on the Interim Balance Sheet, was US$ 311.3 million at June 30, 2005 and US$ 348.5 million at December 31, 2004, rather than the amounts of US$ 145.0 million and US$ 157.2 million, respectively, presented in the Original Form 6-K.
- The Losses, loss adjustment expenses and life benefits for the three months ended June 30, 2004 for the Run-Off segment, which is presented in the Schedule of Segment Data in the Notes to the Unaudited Interim Financial Statements, was US$ -520.1 million rather than the amount of US$ 520.1 million presented in the Original Form 6-K.
- The Benefits, losses and expenses for the six months ended June 30, 2004 for the Standard Property & Casualty Reinsurance segment, which is presented in the Schedule of Segment Data in the Notes to the Unaudited Interim Financial Statements, was US$ -692.7 million rather than the amount of US$ -629.7 million presented in the Original Form 6-K.
- The Estimated Fair Value of the Company s Total Available-for-Sale Investments in Fixed Maturities and Equity Securities at December 31, 2004, which is presented in Table 5.3 of Note 5 to the Unaudited Interim Financial Statements, was US$ 5,234.2 million rather than the amount of US$ 5,243.3 million presented in the Original Form 6-K

An amended version of the Company s Half Year 2005 Report reflecting the foregoing corrections follows.

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Half Year Report 2005

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Investor information

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 Ltd
Stampfenbachstrasse 73
P.O. Box 634
8035 Zurich
Switzerland
Telephone +41 44 630 1111
Fax +41 44 630 1115

Stock Trading

Converium Holding AG common shares are traded on the SWX Swiss 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 half year of 2005				
SWX Swiss Exchange (CHF)	High	12.50	Low	9.00
New York Stock Exchange (USD)	High	5.20	Low	3.59
First quarter of 2005				
SWX Swiss Exchange (CHF)	High	12.20	Low	10.05
New York Stock Exchange (USD)	High	5.18	Low	4.44
Second quarter of 2005				
SWX Swiss Exchange (CHF)	High	12.50	Low	9.00
New York Stock Exchange (USD)	High	5.20	Low	3.59

First listed

December 11, 2001 SWX Swiss Exchange and New York Stock Exchange.

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Financial highlights

(US$ million, except per share information)	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months ended June 30 2004
Gross premiums written	362.0	1,027.6	1,079.5	2,411.2
Net premiums written	330.9	948.8	1,035.8	2,247.4
Net premiums earned	612.8	1,009.9	1,301.6	2,002.9
Total investment results	86.8	89.2	168.3	171.0
Income (loss) before taxes	49.2	-381.9	-16.4	-295.5
Net income (loss)	70.8	-660.0	9.0	-594.3
Basic earnings (loss) per share[1]	0.48	-8.32	0.06	-7.49
Annualized return on shareholders equity[2]	17.9%	-120.9%	1.1%	-57.1%
Ongoing non-life loss ratio[3]	73.4%	82.3%	80.6%	75.9%
Ongoing non-life underwriting expense ratio[3]	20.2%	21.8%	21.1%	21.2%
Ongoing non-life administration expense ratio[3]	8.8%	4.6%	7.2%	3.6%
Ongoing non-life combined ratio[3]	102.4%	108.7%	108.9%	100.7%

	June 30 2005	Dec. 31 2004
Total shareholders equity	1,648.2	1,720.2
Total underwriting reserves, net of reinsurance	8,751.0	9,983.1
Total invested assets	7,685.4	7,788.4
Book value per share	11.26	11.76

1 For the three and six months ended June 30, 2004, the figures have been restated to reflect the effect of the Rights Offering that occurred in October 2004.

2 Defined as net income (loss) divided by shareholders equity at the beginning of the period, annualized. For the three-month period, the shareholders

equity at March 31 of the respective year is used and for the six-month period, the shareholders equity at December 31 of the prior year is used.

3 Ongoing non-life business represents the aggregation of Standard Property & Casualty Reinsurance and Specialty Lines, as these are both non-life segments, the aggregation of which management considers meaningful in understanding the current performance of Converium. This measure excludes the non-life business contained within the Run-Off segment in line with management s desire to monitor this segment on a stand-alone basis. The aggregation of the Life & Health

Reinsurance segment with the ongoing non-life business is referred to as total ongoing business.

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Letter from the Chief Executive Officer

Dear shareholders,

I am pleased to report that your reinsurer has returned to a path of stability and profitability following last year s developments.

The Converium brand remains recognized and respected in key markets around the world. Our ambitions have proved resilient, our talents tenacious, and our resolve sufficient to see Converium survive and, ultimately, prosper.

This testifies to our strong business relationships and the market s demand for a mid-sized reinsurer. The vast majority of Converium s historic customers from outside North America are still our clients. Some have reduced the extent of their transactions with us, but, crucially, the relationships themselves remain intact.

I am convinced that Converium is well positioned to regain its market position. However, we are not waiting passively for this to occur. Customers confidence in the Company is evident, and increases with every passing day. It builds as our Client Relationship Managers explain the whole story: Converium s solvency levels are reaching new highs. The Company has made progress towards stabilization and reports profits again. We continue to strive to earn the rating agencies recognition of our inherent financial strength, another critical ingredient of recovery.

The path ahead

Upon my appointment as Chief Executive Officer of Converium, I set out a roadmap to recovery. During the first six months of 2005 we have made significant progress in our journey down that road, backed by the decision of the Board of Directors to reaffirm Converium s intention to continue as a stand-alone entity operating as an international, multi-line reinsurer.

During this period we have matched the size of the organization to our current portfolio and prospects, with relevant cost savings on the horizon. We have examined and fine-tuned the types of business we underwrite going forward. However, we have resolved to stick to our existing business strategy, which has proved effective in our target markets of Europe, Asia and Latin America. Meanwhile, we continue to manage the run-off of our North American operations to the benefit of all stakeholders.

Equally important, your management is nurturing an internal culture where participation in decision-making is embedded throughout Converium. Continued retention of key staff is a high priority.

The severe winter storm *Erwin*, which swept across northern Europe from January 7 to 9, had a negative impact on the first quarter result. Losses related to the storm added 6.1 percentage points to the ongoing non-life combined ratio for the first quarter, although the event fell well within modeled loss scenarios, and serves to remind us that Converium is in the risk business.

The financial benefits of expense reduction initiatives embarked upon in March are not yet apparent. However, almost all of the cost savings achieved should crystallize by year end. We continue to monitor our administration expense ratio for ongoing operations and into 2006.

The first quarter result was a disappointment, although Converium s underlying technical performance was sound. The bottom line, in addition to *Erwin* and administrative expenses, was marred by the US GAAP accounting impact arising from the commutation of a major retrocession agreement. However, the transaction was economically neutral, and has not affected Converium s actual long-term financial performance.

Renewed success

Against these developments, Converium s success during the major renewal periods in the first half of the year was certainly encouraging. Outside the US, almost 90% of treaty direct client relationships were maintained during the January 1 renewal, as were 56% of treaty broker relationships. This performance played out marginally better than expected, illustrating just how well Converium s Client Relationship Managers know their clients.

Equally satisfying was Converium s renewal performance in Asia at April 1. Clients proved loyal, especially in Japan, where Converium s market share remains relatively high. Technically adequate rates were achieved despite rising competition from new entrants. Rating-sensitive Australia was the only Asia-Pacific market where more than half our client relationships fell away. However, we remain confident that these relationships can be rebuilt once a satisfactory rating level has been earned. In the recent renewals, Converium s stringent pricing and underwriting standards were not compromised in order to achieve successful renewals. The July renewals further confirm the established trend of the previous renewals this year and Converium s franchise proves resilient and robust.

The overall outcome of the renewals in the first half of 2005 shows clearly that despite Converium s letter-rating, our business partners understand that the Company is fiscally robust. They realize that Converium is not destined to become another reinsurance casualty. On the contrary, your reinsurer returned to stability and profitability in the second quarter of 2005.

Our experience during that period marks a third consecutive quarter of relative reserve stability. In addition, no major catastrophes occurred in the second quarter of 2005, and the underwriting result is positive.

Our financial expectations have been met through careful and responsible underwriting, despite slight market price deterioration in certain lines of business. Our positive technical performance has been bolstered by satisfactory returns from a strong investment base. I am confident that diligent pursuit of the roadmap to recovery promises a medium-term resumption of the creation of attractive shareholder returns by Converium.

Rejuvenation

I welcome to the Board of Directors Dr Markus Dennler, former member of the Executive Board of Credit Suisse Financial Services and Chief Executive Officer responsible for the global operational Life & Pensions business, and Rudolf Kellenberger, former Deputy Chief Executive Officer of Swiss Re. Elected at the Annual General Meeting on April 12, 2005, their experience, input and fresh insights have already been invaluable over the recent months.

I applaud the faith, loyalty and effort of Converium s hard-working staff, who have weathered what has certainly been a difficult period for our Company. Finally, I thank our valued clients and broker partners for their understanding and support during this time. Theirs is the final, essential component of our renewed success.

Yours sincerely,

Terry G. Clarke

Chief Executive Officer

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The Converium share

The Converium share and ADS

In the first half of 2005 Converium shares and ADSs under-performed both the European and the US Insurance Index. Converium s shareholder split remained well diversified geographically; UK, US and Swiss institutional investors each held nearly 30% of Converium s shares.

See note 1
See note 1

Converium Ordinary Shares*	-87.3%
Bloomberg European Insurance Index*	-36.3%
Swiss Market Index*	-1.2%
Converium ADSs**	-83.6%
Bloomberg US Insurance Index**	7.6%
Dow Jones Industrial Index**	3.9%

* underlying figures in CHF

** underlying figures in US$

Converium Ordinary Shares*	2.0%
Bloomberg European Insurance Index*	4.4%
Swiss Market Index*	8.4%
Converium ADSs**	-9.8%
Bloomberg US Insurance Index**	0.0%
Dow Jones Industrial Index**	-4.2%

* underlying figures in CHF

** underlying figures in US$

1) A different scale is used for the 2005 performance reflecting the relatively minor movements of the Converium share and ADS.

Key share data for 2005

Shares registered as at June 30, 2005	146,689,462
SWX Swiss Exchange	
Share price as at June 30, 2005 in CHF	10.40
Year High in CHF	12.50
Year Low in CHF	9.00
Average daily trading volume in 2005	1,618,303
Market capitalization as at June 30, 2005 in CHF	1,525,570,405
Book value per share as at June 30, 2005 in CHF	14.43
New York Stock Exchange	
ADS price as at June 30, 2005 in US$	4.03
Year High in US$	5.20
Year Low in US$	3.59

Major shareholders

In accordance with the notification requirements as set by the SWX Swiss Exchange, the following significant share holdings were notified to Converium Holding AG as of June 30, 2005:

- Odey Asset Management LLP, London, United Kingdom: 11.2% (date of notification: March 4, 2005)
- Dodge & Cox, San Francisco, United States: 5.04% (date of notification: June 22, 2005)

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

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

Overview

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

We offer a broad range of mostly traditional non-life and life reinsurance products to help our target clients efficiently and effectively manage capital and risks. In non-life reinsurance, our lines of business are General Third Party Liability, Motor, Personal Accident (assumed from non-life insurers), Property, Agribusiness, Aviation & Space, Credit & Surety, Engineering, Marine & Energy, Professional Liability and other Special Liability and Workers Compensation. In Life & Health Reinsurance, our lines of business are Life and Disability reinsurance, including quota share, surplus coverage and financing contracts, and Accident and Health.

In 2004, we placed Converium Reinsurance (North America) Inc. (CRNA) into orderly run-off, which resulted in the discontinuation of writing reinsurance from offices located in North America. We continue to service remaining contracts issued by CRNA until they expire or are terminated. We are actively commuting CRNA s liabilities wherever appropriate. We still offer reinsurance for attractive US-originated business, which is underwritten and managed through Converium AG, Zurich.

In the first quarter of 2005, Converium formally adopted a change to the reporting line of the management of its North American operations. This change was introduced to reflect the placement of CRNA into orderly run-off and management s desire to monitor this business on a stand-alone basis. Therefore, Converium s business is now organized around three ongoing operating segments: Standard Property & Casualty Reinsurance, Specialty Lines and Life & Health Reinsurance, which are based principally on global lines of business, in addition to a Run-Off segment. The Run-Off segment includes all business; both life and non-life, originating from CRNA and Converium Insurance (North America) Inc. (CINA), excluding the US originated aviation business. In addition to the four segments financial results, the Corporate Center carries certain administration expenses, such as costs of the Board of Directors, the Global Executive Committee, and other corporate functions as well as other expenses not allocated to the operating segments. As well as reporting individual segment results, management also presents the aggregation of Standard Property & Casualty Reinsurance and Specialty Lines, referred to later in this discussion as ongoing non-life business, as these are both non-life segments, the aggregation of which management considers meaningful in understanding the performance of Converium. This measure excludes the non-life business contained within the Run-Off segment in line with management s desire to monitor this segment on a stand-alone basis. The aggregation of the Life & Health Reinsurance segment with the ongoing non-life business is referred to as total ongoing business.

Results of operations

	Three months ended June 30		Six months ended June 30	
(US$ million)	2005	2004	2005	2004
Income (loss) before taxes	49.2	-381.9	-16.4	-295.5
Net realized capital (losses) gains	-1.0	12.5	-1.7	21.7
Impairment of goodwill		-94.0		-94.0
Amortization of intangible assets	-7.0	-0.8	-14.0	-1.5

Restructuring costs	-3.5		-13.6	
Pre-tax operating income (loss)[1]	60.7	-299.6	12.9	-221.7
Net income (loss)	70.8	-660.0	9.0	-594.3

1 For the three and six months ended June 30, 2004, respectively, US$ 0.8 million and US$ 1.5 million have been reclassified from investment income to amortization of intangible assets, which resulted in a change in pre-tax operating income for 2004.

We reported net income for the three and six months ended June 30, 2005 as compared to net loss for the same periods in 2004. The second quarter of 2005 exhibited solid underwriting results for our ongoing business, supported by net positive development of prior years loss reserves in the amount of US$ 6.7 million, the absence of major catastrophic events and a strong investment result. For the six months ended June 30, 2005, our result includes the recognition of a net loss of US$ 32.5 million from winter storm *Erwin*, the commutation of certain retrocession contracts which had a negative effect of US$ 40.0 million, net strengthening of prior years loss reserves of US$ 3.7 million and costs of US$ 13.6 million associated with our

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

organizational and operational restructuring. The 2004 results were primarily driven by net reserve strengthening of prior years loss reserves and a related increase in income tax expense due to the establishment of a full valuation allowance against the net deferred tax assets from our North American operations and the impairment of goodwill. Our resulting ongoing non-life combined ratio was 102.4% and 108.9% for the three and six months ended June 30, 2005, compared to 108.7% and 100.7% for the same periods of 2004.

We reported pre-tax operating income (defined as income (loss) before taxes, net realized capital (losses) gains, impairment of goodwill, amortization of intangible assets and restructuring costs) for the three and six months ended June 30, 2005 as compared to a pre-tax operating loss for the same periods in 2004. We use pre-tax operating results to measure the performance of our underlying reinsurance operations without the influence of realized gains and losses from the sale of investments, or other non-operating items such as goodwill, impairment and restructuring costs.

For the three months ended June 30, 2005, gross premiums written decreased 64.8%, net premiums written decreased 65.1% and net premiums earned decreased 39.3% compared to the same period in 2004. For the six months ended June 30, 2005, gross premiums written decreased 55.2%, net premiums written decreased 53.9% and net premiums earned decreased 35.0% compared to the same period in 2004. The decrease in gross and net premiums written was caused by the placement of CRNA into orderly run-off and the ratings downgrades, both of which occurred in 2004, resulting in clients canceling their business or reducing their shares with us. In addition, due to the seasonality involved with the renewal of our business in different markets, we generally record the largest share of our premium volume in the first quarter of a given year and approximately half of our annual premium volume is recorded by the end of the second quarter of a given year. Despite the decrease in overall premium volume, for the three months ended June 30, 2005, there was still growth in the Agribusiness, Aviation and Accident and Health lines of business. For the six months ended June 30, 2005, the Agribusiness line of business experienced growth in premium volume. The growth over the three and six months ended June 30, 2005 resulted from increased shares in existing business and new client relationships.

We had net realized capital losses of US$ 1.0 million for the three months ended June 30, 2005 versus net realized capital gains of US$ 12.5 million for the same period in 2004. For the six months ended June 30, 2005 we had net realized capital losses of US$ 1.7 million as compared to net realized capital gains of US$ 21.7 million for the same period in 2004. During the second quarter of 2004, we realized approximately US$ 16.0 million of realized capital gains on the sale of certain equity investments to adjust our asset allocation to reduce investment risks.

Other loss for the three and six months ended June 30, 2005 was US$ 1.5 million and US$ 9.3 million, respectively, as compared to other income of US$ 5.4 and US$ 8.1 million for the same periods of 2004.

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

Reinsurance results

	Three months ended June 30		% change 2005 over	Six months ended June 30		% change 2005 over
(US$ million)	2005	2004	2004	2005	2004	2004
Gross premiums written	362.0	1,027.6	-64.8	1,079.5	2,411.2	-55.2
Net premiums written	330.9	948.8	-65.1	1,035.8	2,247.4	-53.9
Net premiums earned	612.8	1,009.9	-39.3	1,301.6	2,002.9	-35.0

Gross and net premiums written decreased for the three and six months ended June 30, 2005 over the same periods in 2004 largely due to the reduction in business volume caused by the placement of CRNA into orderly run-off and the ratings downgrades, both of which occurred in 2004, resulting in clients canceling their business or reducing their shares with us. In addition, due to the seasonality involved with the renewal of our business in different markets, we generally record the largest share of our premium volume in the first quarter of a given year and approximately half of our annual premium volume is recorded by the end of the second quarter of a given year.

For the three months ended June 30, 2005, net premiums written in Standard Property & Casualty Reinsurance decreased by US$ 212.4 million, or 83.1%, Specialty Lines decreased by US$ 117.7 million, or 33.9% and net premiums written in the Life & Health Reinsurance segment decreased by US$ 1.5 million, or 2.6%. For the six months ended June 30, 2005, net premiums written in Standard Property & Casualty Reinsurance decreased by US$ 408.9 million, or 47.8% and Specialty Lines decreased by US$ 285.7 million, or 42.6%, while net premiums written in the Life & Health Reinsurance segment grew by US$ 1.1 million, or 0.7%. Although the Specialty Lines segment experienced a decrease in net premiums written, we successfully renewed the significant business with our strategic partner, Medical Defence Union (MDU). On a consolidated basis we ceded 8.6% and 7.7% of our gross premiums written for the three months ended June 30, 2005 and 2004, respectively and 4.0% and 6.8% for the six months ended June 30, 2005 and 2004, respectively.

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Net premiums earned for the three and six months ended June 30, 2005 decreased at a slower rate than the corresponding net premiums written as premiums are still being earned from business written in prior underwriting years.

See Business development for further information by line of business.

(US$ million)	Three months ended June 30 2005	2004	% change 2005 over 2004	Six months ended June 30 2005	2004	% change 2005 over 2004
Losses, loss adjustment expenses and life benefits	-449.3	-1,103.8	-59.3	-1,035.1	-1,824.7	-43.3
Ongoing non-life loss ratio (to net premiums earned)	73.4%	82.3%	-8.9pts	80.6%	75.9%	4.7pts

Our losses, loss adjustment expenses and life benefits incurred decreased for the three months ended June 30, 2005 as compared to the same period of 2004, supported by net positive development of prior years loss reserves in the amount of US$ 6.7 million, of which US$ 3.1 million were related to the Run-Off segment, and the absence of major catastrophic events. For the six months ended June 30, 2005, our losses, loss adjustment expenses and life benefits incurred decreased while our ongoing non-life loss ratio increased. The first half of 2005 was impacted by Winter Storm *Erwin*, which resulted in pre-tax net losses in the amount of US$ 32.5 million, the commutation of certain retrocession contracts with a negative effect on losses of US$ 38.7 million and net strengthening of prior years loss reserves in the amount of US$ 3.7 million, of which US$ 13.3 million were related to the Run-Off segment. The results for the three and six months ended June 30, 2004 were driven by the significant adverse development of prior years loss reserves that was recorded in the first half of 2004 on our US casualty reinsurance lines in the amount of US$ 430.7 million.

Reserve development

For the three months ended June 30, 2005, we recorded net positive development of prior years loss reserves in the amount of US$ 6.7 million, which resulted in an overall net strengthening of prior years loss reserves of US$ 3.7 million for the first half of 2005. The development of prior years loss reserves for the three months ended June 30, 2005 includes US$ 6.9 million of net strengthening in the Standard Property & Casualty Reinsurance segment and net positive development of US$ 10.5 million and US$ 3.1 million in the Specialty Lines and Run-Off segments, respectively. The development of prior years loss reserve for the first half of 2005 consisted of net positive development of US$ 3.3 million in the Standard Property & Casualty Reinsurance segment and US$ 6.3 million in the Specialty Lines segment, offset by net strengthening of prior years loss reserves of US$ 13.3 million in the Run-Off segment.

In the first half of 2005, we were also impacted by net strengthening of prior years loss reserves of US$ 15.3 million from the US/Caribbean hurricanes that occurred in late 2004, of which US$ 11.8 million impacted the Standard Property & Casualty Reinsurance segment and US$ 3.5 million impacted the Specialty Lines segment. This net strengthening is included in the net strengthening of prior years loss reserves shown above.

As a result of the reserve volatility of old underwriting years and the adverse loss-reporting trend that continued throughout the early part of 2004, we recorded net strengthening of prior years loss reserves in the amount of US$ 387.7 million for the three months ended June 30, 2004, which resulted in an overall net strengthening of prior years loss reserves of US$ 430.7 million for the first half of 2004. The development of prior years loss reserves for the three months ended June 30, 2004 includes net strengthening of US$ 5.1 million in the Standard Property & Casualty

Reinsurance segment, US$ 51.3 million in the Specialty Lines segment and US$ 331.3 in the Run-Off segment. The development of prior years loss reserves for the first half of 2004, consisted of net strengthening of prior years loss reserves of US$ 1.1 million in the Standard Property & Casualty Reinsurance segment, US$ 32.2 million in the Specialty Lines segment and US$ 397.4 million in the Run-Off segment.

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

Retrocessional risk management

As part of our risk management process we regularly evaluate the recoverability of our reinsurance assets taking into account all public domain information including the current rating of our retrocessionaires. If there are genuine concerns about a retrocessionaire s ability to pay future claims we may enter into negotiations to commute the retrocessionaire s obligations in respect of future claims. In this type of transaction the reinsurance recoverables which are included in underwriting reserves on the balance sheet and reflect the full nominal value of expected future claims recoveries are reduced to zero in exchange for commutation payments, which reflect the time value of money on the commuted reserves in question. In such a transaction we suffer an underwriting loss in the quarter that the transaction takes place due to the value of the discount in respect of future expected cash flows, but avoid future concerns about the recoverability of our reinsurance assets including potential bad debt provisions. Additionally, we will benefit from additional investment income on cash received and/or reduced interest expense related to any funds held balance.

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

As a result of this risk management monitoring process, we reached a decision in the first quarter of 2005 to commute the obligations of one of our retrocessionaire s due to the deterioration of that company s rating and concerns about its future ownership and prospects. This led to the commutation of certain retrocession contracts with reinsurance recoverables in the amount of US$ 100.1 million for a commutation settlement of US$ 60.1 million, which generated a negative impact of US$ 40.0 million on the net results in the first half of 2005, US$ 38.7 million of which is in losses. In the second quarter of 2005, our risk management monitoring process did not result in any such retrocession commutations.

Commutations

Based on the developments of 2004, we placed CRNA into orderly run-off and started to implement and execute a commutation strategy. Commutations can accelerate the realization of profit inherent in long-tail reserves by crystallizing outstanding claims reserves into payments, which are discounted to reflect the time value of money. Since commutation payments essentially reflect a discounted present value of estimated future cash flows, future investment income earned is expected to decline as the assets backing those reserves are liquidated to make payments. As of June 30, 2005, we have not yet concluded and legally bound further material commutations with our cedents; however we continue to vigorously execute our approved commutation strategy and follow our commutation objectives. Under US GAAP accounting, we are not permitted to recognize benefit from commutations until they are legally bound.

	Three months ended June 30		% change 2005 over 2004	Six months ended June 30		% change 2005 over 2004
(US$ million)	2005	2004		2005	2004	
Underwriting acquisition costs	-130.9	-224.3	-41.6	-291.3	-433.4	-32.8
Operating and administration expenses	-50.2	-54.7	-8.2	-107.1	-107.3	-0.2
Ongoing non-life underwriting expense ratio (to net premiums earned)	20.2%	21.8%	-1.6pts	21.1%	21.2%	-0.1pts
Ongoing non-life administration expense ratio (to net premiums written)	8.8%	4.6%	4.2pts	7.2%	3.6%	3.6pt

Underwriting acquisition costs primarily relate to commissions on treaty and individual risk business. For the three and six months ended June 30, 2005 our underwriting acquisition costs decreased and our ongoing non-life underwriting expense ratio remained relatively stable. Underwriting expenses have decreased as a result of the reduction in overall business volume; however premiums are still being earned from business written in prior underwriting years. Offsetting this decrease is the fact that our mix of business has shifted from non-proportional to proportional, which generally carries higher underwriting expenses.

Operating and administration expenses decreased for the three months ended June 30, 2005 versus the same period in 2004 and remained flat for the six months ended June 30, 2005 as compared to the same period in 2004. Our operating and administration expenses in 2005 are only partially reflective of the cost management measures implemented in the first quarter of 2005 and were primarily offset by the costs resulting from staff retention plans and expenses which we consider necessary to expedite a rapid and effective rebound. The ongoing non-life administration expense ratio increased for the three and six months ended June 30, 2005 as compared to the same periods of 2004 as our cost management measures referred to above are not fully reflected in our cost base and because of the significant reduction in net premiums written.

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

Investment results

	Three months ended June 30		Six months ended June 30	
(US$ million)	2005	2004	2005	2004
Investment income:				
Fixed maturities	62.1	47.8	116.0	94.0
Equity securities	2.7	7.1	3.9	9.2
Funds Withheld Asset	16.2	19.0	33.1	39.3
Other, net of expenses	6.8	2.8	17.0	6.8
Net investment income	87.8	76.7	170.0	149.3
Average annualized net investment income yield (pre-tax)	4.4%	3.8%	4.1%	3.8%
Net realized capital (losses) gains	-1.0	12.5	-1.7	21.7
Total investment results	86.8	89.2	168.3	171.0
Average annualized total investment income yield (pre-tax)	4.3%	4.5%	4.1%	4.3%
Change in net unrealized gains (losses) (pre-tax)	81.9	-139.2	27.7	-76.9
Total investment return (pre-tax)	168.7	-50.0	196.0	94.1
Average annualized total investment return (pre-tax)	8.4%	-2.5%	4.8%	2.4%
Average total invested assets (including cash and cash equivalents)	8,070.9	7,964.5	8,218.1	7,868.0

Investment results are an important part of our overall profitability. Our net investment income increased for the three and six months ended June 30, 2005 as compared to the same periods in 2004. The increase largely resulted from moderate growth in total investments over 2004, as well as an allocation shift from equity securities to fixed income securities in mid-2004. In 2005, we have a higher allocation to relatively high-yielding fixed income securities, particularly in the United Kingdom.

Our average annualized net investment income yield (pre-tax) was 4.4% and 4.1% for the three and six months ended June 30, 2005, as compared to 3.8% for both of the same periods of 2004. Yields are calculated based on the average of beginning and ending investment balances (including cash and cash equivalents).

An increasing component of net investment income arises from income received on business written on a funds withheld basis such as certain Lloyd s transactions. As these assets are reported under funds held by reinsureds and do not form part of the average total invested assets, there is a consequent increase in the reported average annualized net investment income yield (pre-tax). If this component is excluded from net investment income, the average annualized net investment income yield (pre-tax) would be 4.2% and 3.9% for the three and six months ended June 30 2005, as compared to 3.8% and 3.7% for the same periods of 2004.

We had net realized capital losses of US$ 1.0 million for the three months ended June 30, 2005 versus net realized capital gains of US$ 12.5 million for the same period in 2004. For the six months ended June 30, 2005 we had net realized capital losses of US$ 1.7 million as compared to net realized capital gains of US$ 21.7 million for the same period in 2004. Our second quarter and half year 2004 results were driven by the realization of approximately US$ 16.0 million of realized capital gain on the sale of certain equity investments to adjust our asset allocation to reduce investment risks.

Our average annualized total investment income yield (pre-tax) was 4.3% and 4.1% for the three and six months ended June 30, 2005, versus 4.5% and 4.3% for the same periods of 2004, as we realized US$ 21.7 million of net realized capital gains for the first half of 2004.

Our average annualized total investment return (pre-tax) was 8.4% and 4.8% for the three and six months ended June 30, 2005 as compared to -2.5% and 2.4% for the same periods of 2004. The total return for the quarter was positively impacted by declining long-term yields and strong European stock markets, which triggered positive changes in the unrealized capital gain and loss positions.

We recorded US$ 4.9 million and US$ 2.6 million of impairment charges for the six months ended June 30, 2005 and 2004, respectively.

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

Other

	Three months ended June 30		Six months ended June 30	
(US$ million)	2005	2004	2005	2004
Other (loss) income	-1.5	5.4	-9.3	8.1
Interest expense	-8.0	-8.8	-15.9	-16.6
Impairment of goodwill		-94.0		-94.0
Amortization of intangible assets	-7.0	-0.8	-14.0	-1.5
Restructuring costs	-3.5		-13.6	
Income tax benefit (expense)	21.6	-278.1	25.4	-298.8

Other (loss) income: Other loss for the three months ended June 30, 2005 was US$ 1.5 million as compared to other income of US$ 5.4 million for the same period of 2004. For the six months ended June 30, 2005, other loss was US$ 9.3 million as compared to other income of US$ 8.1 million for the same period of 2004. The increase in other loss for the first half of 2005 is primarily driven by US$ 3.0 million of amortization related to our Helix 04 catastrophe cover, a charge of US$ 2.4 million related to the impairment of our usufruct agreements with the co-owners of SATEC and US$ 1.3 million related to the commutation of certain retrocession contracts. The 2004 other income reflects a benefit of approximately US$ 10.0 million related to the release of a reserve for uncollectible reinsurance recoverables.

Interest expense: Interest expense remained relatively stable for the th