

CONVERIUM HOLDING AG

Form 6-K/A

April 27, 2007

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Form 6-K/A
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the period ending December 31, 2006

CONVERIUM HOLDING AG
(Translation of registrant's name into English)

Dammstrasse 19
CH-6301 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

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

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 replace in the entirety the following pages of Converium Holding AG 2006 Annual Report furnished to the SEC under cover of a Form 6-K on April 11, 2007 (the Original Form 6-K):

Page 32 Selected financial and other data (Adjustment of 2003 and 2002 Selected financial and other data)

Page 109 Consolidating balance sheets As of December 31, 2006 (Adjustment of balance sheet figures)

These pages included in the Original Form 6-K contained unintentional errors. Other than as set forth above, this Form 6-K/A does not, and does not purport to, amend, update or restate the information or reflect any events that have occurred after the Original Form 6-K was filed.

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annual report 06

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The Annual General Meeting 2007 is to be held at 10:30 a.m. local time on Thursday, May 10, 2007 at the Kongresshaus in Zurich, Switzerland.

Share data

Shares registered as at December 31, 2006	146,689,462
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SWX Swiss Exchange (CHF)

Share price as at December 31, 2006	16.35
Year High	16.70
Year Low	11.95
Average price in 2006	14.88
Average daily trading volume	822,189
Market capitalization as at December 31, 2006	2,398,372,704
Book value per share as at December 31, 2006	15.39

New York Stock Exchange (USD)

ADS price as at December 31, 2006	6.61
Year High	6.77
Year Low	4.78
Average price in 2006	5.97
Average daily trading volume in 2006	80,526

First listed December 11, 2001 on the SWX Swiss Exchange and on the New York Stock Exchange.

Financial calendar**May 8, 2007****May 10, 2007****August 9, 2007****October 30, 2007**

First quarter results
Annual General Meeting
Half-year results
Third quarter results

Converium publishes quarterly, half-year and annual reports. Shareholders and others can gain access to reporting and other information about Converium at www.converium.com, or by contacting:

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Share price performance 2006

Converium	12.8%
Dow Jones STOXX Insurance (Europe)	17.2%
Swiss Market Index (SMI)	15.4%

Share price performance since rights issue 13 Oct 2004

Converium	105.7%
Dow Jones STOXX Insurance (Europe)	64.0%
Swiss Market Index (SMI)	63.8%

Share price performance since IPO 15 Dec 2001

Converium	-59.6%
Dow Jones STOXX Insurance (Europe)	-8.0%
Swiss Market Index (SMI)	42.1%

Note: rebased to 100, excluding currency adjustments

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Business profile

By line of business

Total USD 1,852.0 million (net premiums written)

By region of premium origin

Total USD 1,980.9 million (gross premiums written)

By business segment

Total USD 1,852.0 million (net premiums written)

By distribution channel

Total USD 1,980.9 million (gross premiums written)

Please note all percentage figures rounded.

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(USD million)	2006	2005	2004
Gross premiums written	1,980.9	1,955.0	3,492.2
Net premiums written	1,852.0	1,783.1	3,255.9
Net premiums earned	1,811.7	2,254.8	3,098.5
Total investment results	279.3	289.1	258.7
Income from continuing operations before taxes	255.5	50.2	21.0
Income from continuing operations	215.0	34.1	25.6
Basic earnings per share from continuing operations (USD)	1.47	0.23	0.40
Total equity	1,846.0	1,653.4	1,734.8
Total underwriting reserves, net of reinsurance	7,006.8	7,931.1	10,014.2
Total invested assets	5,765.3	6,634.3	7,786.2
Return on equity from continuing operations (beginning of period) (%)	13.0	2.0	1.3
Non-life loss ratio (net premiums earned) (%)	65.1	77.4	77.6
Non-life expense ratio (%)	31.2	29.6	28.1
Non-life combined ratio (%)	96.3	107.0	105.7
Book value per share (USD)	12.63	11.29	11.86
Dividend per share (CHF)	0.20*	0.10	

* In addition to the dividend payment the Board of Directors proposes that CHF 2.50 be remitted to the shareholders by way of a reduction of the ordinary share capital from CHF 733,447,310 to CHF 366,723,655 by reducing the par value of registered shares from CHF 5 to CHF 2.50.

Non-life combined ratio

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Letter from the Chairman and CEO

Dear shareholders,

2006 was a remarkable year for Converium. We successfully completed our turnaround and posted strong financial results. Net income from our continuing operations was USD 215.0 million, a six-fold increase compared with 2005. Under new leadership the Company underwent a major overhaul. New talent joined Converium, enhancing professionalism and sophistication in crucial areas such as finance and risk management. In this respect, we contributed to, and benefited from, Zurich increasingly developing into a global reinsurance hub. We reviewed our business strategy and confirmed the main elements: To position Converium as an international multi-line reinsurer with a clear geographical focus and a special emphasis on global specialty lines. In all our undertakings the restoration of our A-level financial strength rating was a key priority. In early 2007 we finally achieved this major objective. Client support, especially in the year-end renewals, further strengthened on the back of a constant flow of good news, and testifies to the strength of the Converium franchise. All in all, over 2006 the Company laid strong foundations for a sustainable rebound. Now our sights are firmly set on building Converium's future as a proactive as well as responsive and customer-focused organisation.

Markus Dennler

Inga Beale

Review of 2006

Underlying earnings power significantly improved

The 2006 net income from continuing operations of USD 215.0 million compares with USD 34.1 million in 2005. The total net income of USD 57.1 million reflects the impact of the sale of our North American operations. The non-life combined ratio improved by 10.7 percentage points to 96.3%. The strong performance of the continuing operations demonstrates the quality of our underlying book of business, helped by an unusually benign natural catastrophe year. The impact from prior underwriting years (on the technical result) accounted for a positive contribution of USD 52.1 million. Shareholders' equity at December 31, 2006 was USD 1,846.0 million, compared with USD 1,653.4 million at the end of 2005. The fact that our equity position continued to strengthen despite the North American transactional impact is testament to our strong financial performance in 2006.

Stable business volume reflective of strong franchise

We are pleased to report Converium's business volume increased slightly in 2006, weathering the competitive disadvantage of a BBB+ financial strength future rating. We are delighted with this achievement, particularly as Converium did not relax its pricing standards. Strong market demand for Converium as a knowledge-based medium-sized reinsurer was further apparent in the year-end renewals. Our book of business grew by 3% despite the increasingly competitive market environment. A number of clients and brokers have resumed or increased business with Converium even though the upgrade did not materialise before the end of 2006.

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Finality regarding the North American operations achieved

We are very pleased to report the successful sale of our North American operations to Berkshire Hathaway. By drawing a line under Converium's North American exposure we can now fully concentrate on the way forward. Our clients, shareholders and employees all benefit from the finality we achieved through this transaction. No guarantees as regards prior-year loss reserves have been provided to the buyer. As usual for run-off operations we sold the North American companies at a discount to book value. However, the impact of the transaction on our balance sheet and income statement accounts was in line with analysts' expectations and the overall response to the transaction was very positive.

Confirmation of medium-term business strategy

In summer 2006 the Board and the management team jointly reviewed our medium-term business strategy. The core elements of our strategy, those of being a multi-line reinsurer, with a clear geographical focus, were confirmed. We also reiterated our particular emphasis on global Specialty Lines and our willingness to make further investments in value-added, knowledge-based client services which distinguish us from our direct peers.

Foundations for improved financial strength rating laid

Reflecting our strong financial results, the resolution of leadership issues at Board and management levels and the much greater certainty regarding our loss reserves, both Standard & Poor's (S & P) and A.M. Best (from whom we solicit ratings) raised our ratings outlook to positive in 2006 and S&P even assigned a CreditWatch with positive implications after we announced the sale of our North American operations.

Reshuffle of the Board of Directors completed

At the Annual General Meeting in April we completed the rejuvenation of our Board of Directors. Three outstanding personalities, Lennart Blecher, Detlev Bremkamp and Harald Wiedmann were elected to the Board. Their significant expertise in corporate finance, direct insurance and reinsurance, auditing and other areas was instrumental in raising the level of professionalism throughout the organisation.

New members of top management appointed

In 2006 three new members to our Global Executive Committee (GEC) were appointed: Paolo De Martin as Chief Financial Officer, joining us from GE Insurance Solutions, Markus Krall, a former Senior Partner at McKinsey & Co., as Chief Risk Officer and Andreas Zdrenyk, formerly Converium's Chief Financial Officer ad interim, as Chief Operating Officer. In all these areas significant progress was made, ranging from improved investment returns, and the continuing development of Converium's Enterprise Risk Management (ERM) framework, to faster-than-expected compliance with the Sarbanes-Oxley requirements.

2007 developments and outlook**Main developments to date**

The first quarter saw three major developments: First, we finally were awarded with an A- financial strength rating by Standard & Poor's, marking the full completion of our turn-around. We are now excited about capturing the opportunities from the upgrade: This includes regaining shares of business we lost in the wake of the downgrade as well as expanding Converium's scope of business, both in terms of geographical markets and products.

The second major development was a change to our executive team. Effective 1 February, Jakob Eugster joined Converium and the GEC as Executive Vice President for Standard Property & Casualty Reinsurance. In addition, Benjamin Gentsch assumed additional responsibility for our Life & Health Reinsurance activities as he continues to head up the Specialty Lines operations. Frank Schaar and Christoph Ludemann left Converium. We would like to thank them for their contributions to Converium over the years. We believe that the organisational adjustments associated with these personnel changes will accelerate Converium's development into a truly global company.

Third, the severe winter storm *Kyrill* affected our first quarter performance, with claims for Converium estimated at around EUR 25 to 35 million. As far as our Company is concerned, *Kyrill* most severely impacted the property and motor lines of business in Germany and Austria. The UK, France, Belgium, the Netherlands and several other Northern and Central European countries experienced smaller insured losses.

Delivering on our refined business strategy

Our main focus for the future is to lay the foundations for successfully delivering on our medium-term financial target: a sustainable return on equity of at least 14% by 2009. Contrary to previous practice we have for the first time shared with

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our shareholders a medium-term return target. This again demonstrates our commitment to increased transparency. We believe that the return target is within our grasp. For this purpose, we have developed a three-year strategic map for Converium which encompasses all relevant value drivers in our business: Growing a profitable underwriting book; enhancing capital efficiency; increasing returns on investment; and achieving operational excellence.

Renewing focus on our customers

Customer focus will be a cornerstone of our strategy implementation. After successfully dealing with the various operational challenges of the recent past we are now able and determined to place the customer at the centre of all our endeavours. 2007 will see a number of specific marketing and product development initiatives. We are convinced that Converium's long-term positioning as a mid-sized multi-line reinsurer will ultimately depend on excellence in client marketing and servicing. We must aim at outperforming larger competitors in terms of responsiveness, flexibility and proactiveness.

Acknowledgements

Our sincere thanks go to Converium's employees whose dedication and commitment have finally been rewarded with a successful turnaround and ratings upgrade. We are also very grateful to our clients and brokers for their continued support. Their loyalty was paramount to Converium's return to the A ratings league. And finally, we would like to thank our shareholders for their confidence in Converium's turnaround and future prospects. Shareholders' patience was rewarded with a significant appreciation of the Converium share, a development which gained further momentum in 2007.

Sincerely,

Markus Dennler
Chairman of the Board of Directors

Inga Beale
Chief Executive Officer

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Calendar of events

January

Jan 18 Converium announces comprehensive changes to its Board of Directors and proposes three new candidates to be elected at the Annual General Meeting 2006

February

Feb 1 Inga Beale joins Converium as new CEO

Feb 16 Converium reports stable premium volume from the renewal season

Feb 28 Converium publishes restated financial information for the periods from 1998 through 2004, as well as its third quarter 2005 results

March

March 15 Converium reports net income of USD 68.7 million for the full year 2005

April

April 7 S&P completes its Converium reserve analysis which represents a key factor in the rating process

April 11 Converium holds its Annual General Meeting and elects three new members of the Board of Directors; in the constituent Board meeting Markus Dennler is appointed as new Chairman

April 28 Moody's changes Converium's ratings outlook from negative to stable

May

May 9 Converium reports successful April 1 treaty renewals with stable premium volume

May 17 Converium appoints a new Chief Financial Officer and Chief Operating Officer

May 23 Converium reports net income of USD 61.6 million for the first quarter of 2006 and appoints a new Chief Risk Officer

June

June 15 The Board of Directors approves Converium's medium-term business strategy proposed by the Global Executive Committee

July	
July 1	The new Chief Financial Officer and Chief Risk Officer join Converium
July 3	The new Chief Operating Officer takes office
July 31	S&P assigns a positive financial strength rating outlook to Converium
August	
Aug 8	Converium reports net income of USD 124.1 million for the first half year of 2006
Aug 16	Converium secures an uncollateralized USD 250 million letter of credit facility
Aug 29	Inga Beale receives the title Reinsurance CEO of the year which is awarded by <i>Reactions</i> , a world- wide reinsurance magazine
September	
Sep 8	A.M. Best assigns a positive financial strength rating outlook to Converium
Sep 14	As part of advisory services Converium delivers Economic Scenario Generator data to a client
October	
Oct 3	Converium achieves a collateral reduction on its letter of credit facility
Oct 10	Converium obtains regulatory approval in Labuan, Malaysia, to write international Retakaful business
Oct 17	Converium agrees to sell its North American operations to Berkshire Hathaway
Oct 17	S&P places Converium on CreditWatch with positive implications
November	
Nov 7	Converium reports net income of USD 178.4 million for the nine months ended 2006
December	
Dec 11	Converium celebrates its fifth anniversary
Dec 14	Converium closes the sale of its North American operations
Dec 20	Inga Beale is voted as fourth most successful Swiss CEO in 2006 by the Swiss business weekly newspaper <i>Handelszeitung</i>

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Review 2006 and outlook 2007

For the reinsurance industry, 2006 was a benign year. Following severe global catastrophe losses in 2004, with the record again being broken in 2005, insured catastrophe losses during 2006 were minor. The industry was given the opportunity to replenish funds depleted by the two preceding costly catastrophe years. In 2006, only one named storm made US landfall from the North Atlantic, with limited damage caused. Some localized destruction was inflicted by typhoons in East and South East Asia, but with comparatively little insured losses. A lack of natural catastrophes was matched by a lack of man-made disasters, in particular with no major airline losses being recorded during 2006. The industry demonstrated its resilience into 2006, without any major reinsurance casualties in the wake of the 2005 storms. However, the 2005 events did shift expectations and alter perceptions, particularly in terms of the previously unimaginable devastation caused by Hurricane *Katrina*. Models were recalibrated in 2006, with upper potential loss limits from hurricanes being reassessed and increased.

The recalibration of models helped ensure that property pricing, particularly in the US, stayed firm. High prices attracted further capital into the industry, following the rash of startups at the end of 2005. Risk taking, however, remained cautious as clearly demonstrated by a crunch in the retrocession market. Reinsurers pulled back from offering each other added coverage. The lack of retrocession provided in turn a boost for other risk vehicles. Already well established, the catastrophe bond market posted a record issuance, expected to have exceeded USD 4 billion throughout 2006.

It was, however, another vehicle of risk transfer, the sidecar, that attracted the most attention. A handful existed prior to the 2005 storms; over the last quarter of 2005 and into 2006 around a dozen sidecars have come into existence. These entities allowed investors to participate in a specific book of ceded business with the sponsor in the form of a quota-share agreement. For reinsurers, sidecars represent an attractive and relatively low cost operation, allowing for risk transfer, capacity expansion and a ceding commission. The limited period of risk attaching to this form of risk transfer appealed to investors including hedge funds and investment banks to participate in the hard market. In the year following Hurricane *Katrina* more than USD 4 billion was placed in sidecars.

Although the transfer of insurance risk to capital markets increased dramatically at the end of 2005 and into 2006, such activities remain a relatively small percentage of overall risk taking capacity. In terms of traditional products, property-focused reinsurers were keen to diversify their books of business. As a result there was some pressure on pricing in certain casualty and specialty lines.

However, the market remained attractive overall. A number of developments helped maintain prices at appropriate levels across most lines of business. During 2006 reinsurers were confronted with a range of deadlines and requirements from rating agencies and regulators, notably regarding Enterprise Risk Management, Contract Certainty and Sarbanes-Oxley. Heightened industry supervision and risk regulation have placed additional constraints on underwriting, discouraging excessive price competition.

Converium's 2006 performance

Converium completed its turnaround during 2006, following substantial losses in 2004 due to reserve shortfalls in US casualty business. A number of milestones were achieved throughout the year. Senior management was substantially refreshed. Inga Beale took over as CEO in February. Paolo De Martin was subsequently appointed as Chief Financial Officer, and Markus Krall as Chief Risk Officer. Andreas Zdrenyk, the former Chief Financial Officer ad interim was appointed Chief Operating Officer. At Board level, Lennart Blecher, Detlev Bremkamp, and Harald Wiedmann all joined as Board members as of the Annual General Meeting 2006 and the Board elected Markus Dennler as its Chairman.

Reflecting the financial recovery as well as the changes amongst senior staff, Standard & Poor's awarded Converium with a positive outlook on its BBB+ rating in July. In September A.M. Best also assigned Converium with a positive outlook. In October Converium announced the resolution of one of the key points identified by the ratings agencies; an agreement to sell the Company's North American subsidiaries to Berkshire Hathaway; therewith resolving one of the remaining open issues in the way of an upgrade. The agreed sale, which was completed in December, marked finality on Converium's North American operations. In response to this announcement, Converium was placed on

CreditWatch with positive implications by Standard & Poor's, predicated upon the conclusion of the sale, and of the resolution of regulatory investigations into the Company following a restatement of prior-year financial accounts.

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Converium was able to report a series of encouraging numbers over the course of the year. 2006 net income from continuing operations was at USD 215.0 million, compared with USD 34.1 million in 2005. This six-fold increase reflects the quality of the underlying book of business, aided in part by the relative lack of natural catastrophes. At the end of 2006 the Company recorded eight consecutive quarters of positive prior year impact. Converium's non-life combined ratio was 96.3%, an improvement by 10.7 percentage points. Consolidated net income for 2006 was USD 57.1 million, reflecting the impact of the sale of Converium's North American operations.

As reported in February 2007 the Company succeeded in increasing premium volume from the year-end renewals by 3%. This outcome reflects growing confidence in Converium's prospects which led many clients to increase the Company's treaty shares and prompted brokers to expand business with Converium. Throughout the renewals Converium continued to adhere to its strict profitability standards.

Outlook 2007

The reinsurance market is expected to remain attractive overall in 2007. There is likely to be some softening in certain lines, as reinsurers look to further diversify geographically and across lines of business, particularly recent start-ups. However, more rigorous risk management requirements from rating agencies and other major stakeholders are expected to prevent any excessive pressure on rates, terms and conditions. Moreover no one is likely to discount the potential of another severe natural catastrophe year in view of what many pundits regard as a change to global climate and weather patterns. It is widely accepted across the industry that climate change is likely to give rise to more volatile atmospheric conditions, resulting in a higher loss frequency and severity. The severe winter storm *Kyrill* which hit large parts of Europe mid January served as a reminder, causing an estimated EUR 3.7 billion in industry damage. On the other hand, investment banks and hedge funds will continue to see investment opportunities in what has traditionally been reinsurance risk coverage. Given the large amounts of global liquidity still expected to be chasing returns into 2007 their appetite for insurance risk is set to remain significant.

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Strategy

Our vision

We aim to be a major player in the international reinsurance industry. Our efforts are focused on supporting our clients with leading-edge solutions. We aspire to be recognized as a learning, decisive, communicative and action-oriented organization.

Our mission

We are an international multi-line reinsurer that satisfies our clients' needs by excelling at analyzing, assuming and managing risks. We are experts in managing our clients' volatility and helping them optimize capital efficiency. In an ethical and responsible manner we provide:

sustainable value growth for our shareholders,

superior service for our customers and intermediaries,

a fulfilling work environment for our employees.

Core elements of our business strategy

As a multi-line reinsurer Converium pursues a strategy of profitable organic growth with a geographic emphasis on Europe, Asia-Pacific, Central and South America, and the Middle East. Reflecting its significant capabilities in this particular area, the Company places a distinct focus on global specialty lines. Converium implements its strategy by

Making investments in specialty lines: Based on the Company's track record and human capital Converium is committed to further expanding its specialty portfolio, including aviation & space, engineering, marine & energy, credit & surety and agribusiness.

Maintaining and developing multiple distribution channels, including joint ventures: To leverage Converium's proven skills at identifying and managing joint ventures and distribution channels which provide direct access to business, the Company will continue to seek opportunities in this field. This offers growth opportunities beyond organic business development and outright acquisitions.

Broadening the client base: In addition to expanding relationships with existing clients Converium seeks to establish new relationships in the Company's preferred geographical markets and lines of business.

Expanding the knowledge base: Converium believes in the value of a knowledge-based business model, offering clients insight and services beyond pure underwriting capacity. To this end, the Company will continue to boost its intellectual capital.

Further enhancing the risk management and control culture: These efforts will focus on further implementing a state-of-the-art Enterprise Risk Management (ERM) framework.

Advancing cost and capital efficiency: Converium is committed to further rationalise its internal processes and setup in order to achieve a competitive administrative expense ratio. In addition, Converium constantly seeks to maximize capital efficiency by exploring opportunities for leveraging its balance sheet and transferring risks directly to capital markets.

Goals and aspirations

In our previous Annual Report we described 2006 as our 'Year of restoration'. This has clearly been achieved with our A- financial strength rating by Standard & Poor's regained on February 28, 2007. This rating significantly improves our competitiveness in the global reinsurance market. We now look forward to steadily recapturing business we lost since 2004 by increasing our share of wallet with existing clients. In addition, we seek to further broaden our client base to support future growth. To this end, 2007 will be our 'Year of the Customer', following two years of turnaround management.

We now have the potential to regain a significant share of our clients' wallet, to expand into the fast growing emerging markets, to restore our traditionally strong position in Specialty Lines and to improve the combined ratio, as the business mix shifts and administration expenses are spread across a larger base of business.

In the area of operational excellence we will aim for a single European stock market listing, a more normal level of legal and audit fees and a drastic simplification of our IT environment.

In asset management, we expect to benefit from more degrees of freedom in asset allocation as letter of credit requirements are reduced. We also anticipate a sustainable improvement in investment yields on the back of a new strategic asset management partnership with a leading institution.

Further, we aim at significant improvements in capital efficiency as we expect excess capital partially to be deployed for profitable growth and partially to be returned to shareholders. This will be accompanied by a more efficient, properly leveraged capital structure, including more hybrid debt.

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Risk Management

The management of risk is the core added value provided by a reinsurance company to its clients. Managing its own risk is therefore of crucial importance to any reinsurer and risk management is fundamental to Converium. The Company manages its risk in a landscape that is constantly changing in response to the requirements from stakeholders including customers, shareholders, regulators and rating agencies. These changes lead Converium to continually refine and enhance its strong risk management capabilities, investing in new tools and improving existing ones.

Risk management culture at Converium

Converium has a clear approach to risk management: The Company enforces a holistic risk management approach across all types of risk. A culture of risk awareness permeates all layers of the Company. The Board of Directors determines the areas of greatest risk, decides on actions to mitigate risks, applies control mechanisms to review these actions, and defines policies and guidelines for Converium. The Global Executive Committee (GEC) takes important decisions within this framework, in particular regarding capital and capacity allocation, group-wide planning, limit setting, product mix and product features, net retentions, and major transactions. The Chief Risk Officer (CRO) is a member of the GEC and reports directly to the CEO. The CRO is a standing invitee at the Board of Directors Finance and Risk Committee, and Audit Committee.

The CRO ensures that risk is only accepted if there is sufficient capacity to manage that risk and an adequate return is received for taking the risk. The emphasis is on strong risk ownership and clarity in roles and responsibilities. Risk control functions are strictly separated from our risk-taking functions. Risk professionals work closely together with other colleagues throughout the Company, to ensure clear profitability goals in relation to their risk, an optimal use of capital, and the monitoring of emerging risks.

Converium's risk management organization is further responsible for guaranteeing the implementation of and the adherence to risk control procedures and regulations. Converium has Company-wide training programs and tools in place to keep all relevant staff up-to-date on current trends and regulatory requirements. The processes are regularly tested and examined to ascertain any potential improvements. Sarbanes-Oxley requirements including the demand for a whistle-blower facility strengthened processes, and internal controls, particularly in relation to the risks of incorrect or incomplete financial statements (for more information on Sarbanes-Oxley please see the Corporate Governance section on page 28 and for more information on operational risk please see page 13).

The prominence of risk within Converium, together with its inclusive implementation, has further strengthened the Company's Enterprise Risk Management (ERM) practices. This approach is based on five pillars: Risk Management Culture, Risk Controls, Emerging Risk Management, Risk and Capital Models, and Strategic Risk Management. ERM was designated as a distinct rating category by Standard & Poor's (together with other rating agencies) in 2006. It is designed to focus financial institutions on taking a comprehensive view of their entire risk landscape, and gain a holistic approach to risk measurement, rather than having potential exposures in distinct risk areas.

Risk management infrastructure at Converium

The Company's risk management teams are staffed by experienced professionals from diverse industry backgrounds. Many have advanced qualifications in quantitative subjects. Alongside the skills they bring with them to Converium, the Company has a number of advanced targeted training programs, which staff are encouraged to complete. In addition to having highly sophisticated pricing actuaries and tools, financial modelling is another one of Converium's strengths. The team has developed a state-of-the-art financial model, applied not only to the management of assets and liabilities, but also to the wider macro-economic environment. The model measures Converium's asset and liability risk, as well as assigning economic capital to each risk class, and taking into account diversification effects within and between risk classes. The model forms the basis for decisions on capital and capacity allocation to risk classes and lines of business. In turn, the models have been developed with an eye on external stakeholders including regulators, with members of the financial modeling team being in regular contact with rating agencies and regulators, providing input and monitoring current developments.

Natural catastrophe exposures are modelled and monitored by experts from the natural and physical sciences. As well as assessing the overall probabilities of major catastrophe events, they are closely involved in the pricing process, and in setting underwriting limits. The team bases its work on both in-house and off-the-shelf cat models.

Converium's retrocession team is responsible for defining, placing, and administering all retrocession covers, in accordance with the target portfolio. Alongside standard retrocession,

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Converium has an active catastrophe bond (Helix 04), providing peak level protection against a range of natural catastrophes. The retrocession policies are designed to provide balance sheet rather than earnings protection. The risk management team provides transparency across all risk categories, ensuring the consistent treatment and measurement of risk, and securing adherence to policies and guidelines throughout Converium. It is responsible for identifying, measuring, mitigating, and managing potential events concerning strategic, operational, and emerging risk.

Group internal audit checks that the risk management and mitigation procedures outlined in the risk policies and guidelines are adhered to.

The Internal Control/Sarbanes-Oxley team under the leadership of the Chief Operating Officer ensures the implementation and maintenance of Sarbanes-Oxley compliance and relevant processes and controls. In addition, this team ensures a company-wide management of all issues arising out of the work of functions such as external and internal audit, risk management, and compliance.

Managing risk classes

Converium distinguishes three risk classes: asset risk; liability risk; and operational risk. In keeping with a Company whose central focus is reinsurance, risk capital is chiefly allocated to liabilities – around 75% of total. Asset risk stands at around 16% of total risk capital, whilst operational risk has been minimized at around 8% of total.

Of particular importance to Converium’s approach is the simultaneous measurement and management of assets and liabilities (ALM). Assets and liabilities are assessed according to a single economic scenario generator, with large liability losses modelled for their effects on assets. The model is tested to a 1% expected shortfall (average loss of 1% worst cases for Converium) as well as a 5% expected loss. Capital is assigned within the ALM model, taking into account diversification effects, producing a risk-based capital (RBC) model. The RBC model is in turn key to Converium’s strategy process.

Converium regularly stress tests ALM exposures against a series of externally and internally defined extreme scenarios. These scenarios replicate the effects of extreme events on the balance sheet, quickly generating a credible picture of the effects of an event on the Company’s RBC. A consistent ALM process is encouraged by the rating agencies.

Liability risk

Converium’s liabilities stem from its core underwriting business. The respective risk control policies begin as soon as business is undertaken. Strict underwriting guidelines and authorities are in place, stipulating exactly who is allowed to write which business up to defined limits. In setting limits, Converium pays particular attention to accumulation risk, ensuring that high frequency, but low severity events do not

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account for any excessive risk concentration. Adjusting capital, capacity, and limit allocation to certain reinsurance lines of business, better utilizes diversification benefits, allowing Converium to achieve an improved risk-return profile on its reinsurance portfolio.

All business written within pre-approved limits must also pass strict profitability targets, as agreed with the pricing team. The profitability of any business must be balanced against the contribution it makes to the Company's overall risk profile. Pricing discipline is enforced through fine reporting systems. Alongside allowing day-to-day adjustments, the models allow for thorough reviews of overall business, which feed into the Company's strategy.

The reserving standards which are set to ensure sufficient coverage for arising losses, are maintained through actuarial methods, peer reviews, escalation processes and documentary requirements. Pricing loss ratios are assimilated into reserve models, whilst qualitative input is sourced from underwriters, claims and risk teams. Converium seeks to ensure an early initial headline loss figure is provided for any major event.

Retrocession is a key risk management tool to improve the net portfolio balance and limit the effects of severe events. Converium primarily utilizes excess of loss structures to reduce areas of known aggregation and to increase leverage. The Company has both traditional and non-traditional tools at its disposal, limiting its dependency on any single retrocession market.

Asset risks

Converium manages a large investment portfolio. This portfolio gives rise to market risks and credit risks, both of which are subcategories to asset risk.

Converium has a strong set of investment guidelines in place as part of the ALM process. The Company operates a Strategic Asset Allocation (SAA) policy to ensure the balance of its portfolio. SAA ensures that assets broadly match liabilities, providing sufficient diversity of assets and allowing a maximum investment return in line with the Company's risk appetite. Converium does not engage in tactical asset allocation which tries to outperform the market, and only engages in active asset management to a limited extent, with the majority of assets managed close to benchmark. Some external parties are engaged for asset management, closely supervised by Converium.

The bulk of the portfolio consists of fixed income assets, particularly high quality investment grade paper. Converium underwrites certain business that requires the provision of Letter of Credit (LoC) collateral guarantees. As a result Converium is less exposed to market price movements or credit risk, but is exposed to interest rate risk. In order to reduce interest rate exposure, a hedging structure is in place to protect the value of the asset portfolio against upward movements in interest rates. Converium also ensures a policy of appropriate diversification amongst assets, getting away from excessively large holdings. The Company is moving towards copulas* to calculate its diversity, as requested by the rating agencies, and away from correlation measurements. Capital market exposures are also regularly stress-tested against a number of extreme event scenarios.

* The dependency is increased in times of stress.

Operational risk

Converium's operational risks cover a range of potential exposures for the daily running of the Company, including IT systems failure, an array of external risks from terrorism attacks to earthquakes, or compliance requirements with external authorities. Converium has business continuity plans in place ready to react to a number of pre-defined scenarios. Employees are regularly informed of operational risk procedures and processes. In 2006 a Compliance Officer was appointed, to minimize compliance risk, and to pro-actively anticipate changes in the regulatory environment. Operational risk processes are also externally tested to guarantee standards amongst the best in the industry.

Operational risk subcategories include strategic, liquidity and reputational risk. Converium's strategy risk processes are designed to stress-test current strategies against a series of environmental changes to the Company, such as significant macroeconomic developments, regulatory changes or alterations in consumer behaviour. These thorough testing policies are used to develop and decide upon new products.

To mitigate liquidity risk, the Company models its expected cash flow against a number of different scenarios, in order to have a good understanding of Converium's liquidity position at any given point. Scenario planning is in place to assess any reputational damage incurred to the franchise under a number of named circumstances.

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The Company has in place a general framework for analyzing operational risk and its subdivisions, using a process of risk identification, measurement, mitigation, and incidence management. Risk identification occurs throughout Converium, and is coordinated by risk management. Mitigation processes are in place when they provide a positive contribution to risk reduction, including guidelines, limits, and training programs for all employees.

Communicating risk processes

The result of Converium's risk processes are not only key for internal decision-making, they provide valuable information on the Company for its external stakeholders. Risk professionals are in regular contact with regulators from national authorities, European Union bodies, and international financial institutions. Converium provides information on processes, sharing its insights and findings in the creation of new rules and standards.

The rating agencies have a growing influence over the scope of risk development within the reinsurance industry. At Converium, risk professionals work closely and cooperatively with the rating agencies, seeking to assure the solidity of the Company's processes. The responsible employees further monitor refinements made to rating agency models and mirror them, in order for management to have a clear picture of where Converium stands with regard to this key stakeholder.

Both the Company's investors and clients have a central interest in the risk policies of Converium. As with the relations with rating agencies and regulators, Converium provides levels of information above minimum disclosure requirements.

Anticipating future risk developments

Converium is confident in the robustness and the sophistication of its current risk policies. That does not however mean that it intends to rest on its laurels. Overall the Company aims to improve on operational and other risks, further developing control mechanisms in the underwriting process, and refining portfolio planning and capabilities. All the Company's risk teams will continually advance their knowledge and will closely liaise with the rating agencies and regulators, seeking to make processes even more transparent for clients and investors. Converium believes that it is ahead of current regulatory developments, and is well prepared for the Swiss Solvency Test (SST) and Solvency II.

Swiss Solvency Test (SST)

In 2008 the Swiss Federal Office of Private Insurance (FOPI) will be introducing new regulatory requirements for (re-)insurers, based on the Swiss Solvency Test (SST). The SST requires the institutionalization of capital adequacy modelling and management, and compliance with sound risk management and corporate governance structures. By 2011 target capital requirements will have to be satisfied.

Converium is an active participant in a number of committees currently preparing the SST rules and aims to pass the Swiss Solvency Test by the end of 2007. As such the requirements of the new directive are well understood by the Company, and the organization is currently ahead of schedule in implementing them. Preparing for compliance with the SST will provide Converium with much of the groundwork for the implementation of Solvency II.

Solvency II is a package of legislation revising the risk-based solvency requirements of insurers, which will be enforced in Europe by 2010.

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Corporate Governance

Organizational structure

Converium is organized into three business segments: Standard Property & Casualty Reinsurance, Specialty Lines, Life & Health Reinsurance. The lines of business by segment include the following:

Standard Property & Casualty Reinsurance

General Third Party Liability

Motor

Personal Accident (assumed from non-life insurers)

Property

Specialty Lines

Agribusiness

Aviation & Space

Credit & Surety

Engineering

Marine & Energy

Professional Liability and other Special Liability

Workers Compensation

Life & Health Reinsurance

Life and Disability

Accident and Health

Run-Off

Converium's US operations which comprised of the Run-Off segment were sold to National Indemnity Company, a Berkshire Hathaway company, on December 13, 2006.

The three business segments are supported by global functional departments which include: Actuarial and Risk Modeling, Claims, Retrocession, Risk Management, Finance, Information Technology, Human Resources, Internal Services, Legal Services, and Corporate Communications and Development. As of December 31, 2006 Converium had 514 employees worldwide.

Legal structure

Converium Holding AG, a company organized under Swiss law with its domicile in Zug, Switzerland, directly or indirectly owns all Converium companies. Converium Holding AG, with a share capital of CHF 733,447,310, is the only listed company within Converium. Its shares are traded on the SWX Swiss Exchange (ISIN: CH0012997711) and its American Depository Shares (ADSs, ISIN: US21248N1072) are traded on the New York Stock Exchange. The market capitalization as of December 31, 2006 was CHF 2,398,372,704 (USD 1,915,340,441).

In December 2002, Converium Finance S.A., a Luxembourg company, issued non-convertible, unsecured, guaranteed subordinated notes with a principal amount of USD 200 million. The notes, which are listed on the New York Stock Exchange, are irrevocably and unconditionally guaranteed on a subordinated basis by Converium Holding AG and Converium AG.

Significant non-listed companies as of December 31, 2006

Company name	Country of incorporation	% of equity share held	Currency	Share capital
Converium AG	Switzerland/Zurich	100	CHF	400,000,000
Converium IP Management AG	Switzerland/Zurich	100	CHF	100,000
	Germany/Cologne	100	EUR	4,601,627

Converium Rückversicherung (Deutschland) AG				
Converium Holding (UK) Ltd	United Kingdom/London	100	GBP	101
Converium Insurance (UK) Ltd	United Kingdom/London	100	GBP	60,000,000
Converium London Management Ltd	United Kingdom/London	100	GBP	1,000
Converium Underwriting Ltd	United Kingdom/London	100	GBP	2
Converium Finance S.A.	Luxembourg/Luxembourg	100	EUR	31,000
Converium Finance (Bermuda) Ltd	Bermuda/Hamilton	100	USD	12,000

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Significant shareholders

As of December 31, 2006, Patinex AG, Wilen, Switzerland was registered in Converium's share register with 5.79%, Nortrust Nominees Ltd., London, United Kingdom, acting in its capacity as a nominee for other investors, with 6.10% and Chase Nominees Ltd., London, United Kingdom, as well acting as a nominee for other investors, with 5.24% (voting rights 5%) of all shares issued. No other persons were recorded in Converium's share register with a shareholding exceeding 5% of all issued shares as of December 31, 2006. For more information about the entry of shareholders and nominees in the share register please refer to shareholders' participation rights on page 26. The following notices have been given to Converium in 2006 and in the first two months of 2007 in accordance with Art.20 of the Federal Act on Stock Exchange and Securities Trading:

Company	Date of notification	% of shares
Odey Asset Management London, United Kingdom	January 16, 2006	5.30%
(acting as investment manager for various funds)	February 15, 2006	4.96%
Zürcher Kantonalbank Zurich, Switzerland	June 21, 2006	10.45%
	June 27, 2006	6.92%
	February 28, 2007	below 5%
	February 19, 2007	below 5%
Patinex AG , Wilen, Switzerland	February 19, 2007	32.94%
Scor SA , Puteaux, France	February 19, 2007	

On February 19, 2007 Scor announced that it had acquired 32.9% of Converium's share capital: 8.3% through direct market purchases and 24.6% through share purchase agreements, the consummation of which is subject to regulatory and antitrust approvals.

In 2006 Converium did not receive any notifications from Dodge & Cox, San Francisco, USA (last notification June 16, 2005: 5.04%) and Patinex AG, Wilen, Switzerland (last notification December 19, 2005: 12.49%).

Cross-shareholdings

Converium has no cross-shareholdings with any other joint-stock companies.

Capital structure**Ordinary share capital**

As of December 31, 2006 Converium Holding AG had an ordinary share capital of CHF 733,447,310 divided into 146,689,462 fully paid-up registered shares with a nominal value of CHF 5 each.

Contingent share capital

Pursuant to Article 3a of Converium's Articles of Incorporation, Converium's share capital can be increased by the issuance of a maximum of 4,000,000 fully paid-up registered shares of CHF 5 nominal value each, amounting to a maximum of CHF 20,000,000 through the exercise of option or conversion rights which will be granted on a stand-alone basis or in connection with bond issuances or other debt financing by Converium or one of its subsidiaries. The subscription right of the shareholders with respect to these shares is excluded. The advance subscription rights of the shareholders may be excluded by the Board if the options or conversion rights are used in connection with the financing of a take-over of a business, parts of a business or participations. In this case, the

structure, term and amount of the bond issue or other debt financing, if any, as well as the terms and conditions of the option and/or conversion rights, are to be determined by the Board on the basis of the market conditions prevailing at the time of the issue of the rights. Option and/or conversion rights shall be exercisable for the maximum period of ten years. In 2006 no registered shares were issued from the contingent share capital.

Authorized share capital

Pursuant to Article 3b of the Articles of Incorporation, the Board of Directors is authorized, on or before April 11, 2008, to increase the share capital by the issue of up to a maximum of 4,000,000 fully paid-up registered shares of CHF 5 nominal value each, amounting to a