

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	ii
PRELIMINARY STATEMENT	1
ARGUMENT	3
A. Aftermarket Purchasers Of Converium Stock Can Assert Exchange Act Claims Based On Defendants’ Statements Made In Connection With The IPO	4
B. Converium’s Reserve Increases In 2002 Did Not Put Investors On Inquiry Notice Of Claims Under The Securities Act.....	7
C. Leave To Amend The Complaint Should Be Granted If The Court Reconsiders Its Dismissal Of (1) The Securities Act Claims Or (2) The Exchange Act Claims Based On Statements Made In Connection With The IPO	11
CONCLUSION.....	11

TABLE OF AUTHORITIES

<u>FEDERAL CASES</u>	<u>PAGE(S)</u>
<i>Basic Inc. v. Levinson</i> , 485 U.S. 224 (1988).....	6
<i>Cortec Indus., Inc. v. Sum Holding L.P.</i> , 949 F.2d 42 (2d Cir. 1991).....	8
<i>Cruz v. Barnhart</i> , No. 04 Civ. 9794, 2006 WL 547681 (S.D.N.Y. March 7, 2006).....	3
<i>In re Dynex Capital, Inc. Sec. Litig.</i> , No. 05 Civ. 1897, 2006 WL 314524 (S.D.N.Y. Feb. 10, 2006)	5
<i>In re IPO Sec. Litig.</i> , 471 F.3d 24 (2d Cir. 2006).....	1, 4
<i>In re JWP Inc. Sec. Litig.</i> , 928 F. Supp. 1239 (S.D.N.Y. 1996).....	5
<i>In re Kidder Peabody Sec. Litig.</i> , 10 F. Supp.2d 398 (S.D.N.Y. 1998).....	5
<i>In re Laser Arms Corp. Sec. Litig.</i> , 794 F. Supp. 475 (S.D.N.Y.1989), <i>aff'd</i> , 969 F.2d 15 (2d Cir. 1992)	6
<i>In re Merrill Lynch & Co. Research Reports Sec. Litig.</i> , 273 F. Supp. 2d 351 (S.D.N.Y. 2003).....	8
<i>In re WorldCom, Inc. Sec. Litig.</i> , 308 F. Supp.2d 214 (S.D.N.Y. 2004).....	3
<i>In re ZZZZ Best Sec. Litig.</i> , 864 F. Supp. 960 (C.D. Cal. 1994)	5
<i>Int'l Audiotext Network, Inc. v. American Tel. and Tel. Co.</i> , 62 F.3d 69 (2d Cir. 1995).....	8
<i>Kingdom 5-KR-41, Ltd. v. Star Cruises PLC</i> , No. 01 Civ. 2946, 2005 WL 110434 (S.D.N.Y. Jan. 20, 2005).....	3
<i>LC Capital Partners, LP v. Frontier Ins. Group, Inc.</i> , 318 F.3d 148 (2d Cir. 2003).....	9

<i>Lentell v. Merrill Lynch & Co.</i> , 396 F.3d 161 (2d Cir. 2005).....	11
<i>Milman v. Box Hill Systems Corp.</i> , 72 F.Supp.2d 220 (S.D.N.Y. 1999)	8
<i>Munaf0 v. Metro. Transp. Auth.</i> , 381 F.3d 99 (2d Cir. 2004).....	3
<i>Newman v. Warnaco Group, Inc.</i> , 335 F.3d 187 (2d Cir. 2003).....	7
<i>RJE Corp. v. Northville Indus. Corp.</i> , 329 F.3d 310 (2d Cir. 2003).....	4
<i>RMED Int'l Inc. v. Sloan's Supermarkets Inc.</i> , No. 94 Civ. 5587, 2002 WL 31780188 (S.D.N.Y. Dec.11, 2002).....	6
<i>White v. Dep't of Employment Sec.</i> , 455 U.S. 445 (1982).....	3
<i>White v. H&R Block, Inc.</i> , 02 Civ. 8965, 2004 WL 1698628 (S.D.N.Y. July 28, 2004)	8

PRELIMINARY STATEMENT

Lead Plaintiffs the Public Employees' Retirement System of Mississippi and Avalon Holdings, Inc., pursuant to Federal Rule of Civil Procedure 59(e) and Local Rule 6.3, respectfully submit this memorandum in support of their motion for reconsideration of the Court's December 28, 2006 Opinion and Order (the "Order").

As set forth in more detail below, Lead Plaintiffs seek reconsideration of the following aspects of the Order:

- (1) the dismissal of claims under the Securities Exchange Act of 1934 (the "Exchange Act") against Converium Holding AG ("Converium") and the Officer Defendants¹ based on statements made in connection with Converium's December 11, 2001 initial public offering (the "IPO");
- (2) the dismissal of claims under Section 20(a) of the Exchange Act against Zurich Financial Services ("ZFS") and the Director Defendants;² and
- (3) the dismissal of claims under the Securities Act of 1933 (the "Securities Act") against all Defendants.

First, Lead Plaintiffs respectfully submit that, in dismissing the Section 20(a) claims against ZFS and the Director Defendants, and dismissing, in part, the Section 10(b) and 20(a) claims against Converium and the Officer Defendants, the Court misapplied *In re IPO Securities Litigation*, 471 F.3d 24 (2d Cir. 2006). As set forth below, to the extent that precedent requires the dismissal of Exchange Act claims relating to Converium's IPO, it only requires the dismissal

¹ The Officer Defendants are Dirk Lohmann, Martin Kauer and Richard Smith.

² As used herein, the Director Defendants are Peter C. Colombo, George F. Mehl, Jurgen Forterer, Anton K. Schnyder, Derrell J. Hendrix, George G.C. Parker. In addition to these Converium directors, who were named as defendants under both the Securities Act and Section 20(a) of the Exchange Act, Lead Plaintiffs also named Converium director Terry G. Clarke as a defendant under the Securities Act.

of the Exchange Act claims of investors who purchased Converium stock in the IPO itself – and not the dismissal of the Exchange Act claims of investors who purchased Converium stock after the market became efficient. In sum, investors who purchased Converium securities in the aftermarket following the IPO can still assert Exchange Act claims based on the false statements included in the registration statement and prospectus issued in connection with the IPO (collectively, the “Registration Statement”).

Second, Lead Plaintiffs respectfully submit that, in dismissing the Securities Act claims as untimely, the Court did not consider all of Defendants’ statements concerning the reserve increases taken in 2002, including Defendants’ express statement that the reserve increases taken by Converium in 2002 did not relate to any reserve deficiency that existed at the time of the IPO. These statements were first made in a conference call discussed both in the Complaint and in Lead Plaintiffs’ Memorandum of Law in Opposition to Defendants’ Motions to Dismiss, wherein Lead Plaintiffs argued that statements made contemporaneously with those reserve increases mitigated their impact and allayed any concerns by investors that the reserve increases were indicative of violations of the securities laws. Indeed, Defendants’ subsequent statements reiterated that the 2002 reserve increases reflected new developments, further assuring investors that the financial statements included in the Registration Statement were accurate and the IPO was not conducted in violation of the Securities Act. At a minimum, consideration of these statements demonstrates that an issue of fact exists as to whether investors were on inquiry notice of possible claims under the Securities Act, thus precluding dismissal of such claims under Rule 12(b)(6).

Finally, to the extent that the Court reconsiders its dismissal of any of Lead Plaintiffs’ Securities Act or Exchange Act claims, Lead Plaintiffs also seek reconsideration of the Court’s

December 28, 2006 Order denying Lead Plaintiffs' motion for leave to file an amended complaint. Specifically, if the Court determines to sustain any Exchange Act claims or Securities Act claims that are based upon the false statements in the Registration Statement, Lead Plaintiffs would seek leave to amend the complaint to add allegations concerning Converium's restatement of the financial statements contained therein, because the restatement goes directly to the falsity of the Registration Statement.

ARGUMENT

"Rule 59(e) does not prescribe the specific grounds on which a motion for reconsideration may be brought, but it is clear that 'district courts may alter or amend judgment to correct a clear error of law or prevent manifest injustice.'" *Cruz v. Barnhart*, No. 04 Civ. 9794, 2006 WL 547681, at *2 (S.D.N.Y. March 7, 2006), quoting *Munafu v. Metro. Transp. Auth.*, 381 F.3d 99, 105 (2d Cir. 2004). "Rule 59(e) also allows courts to 'rectify their own mistakes in the period immediately following entry of judgment.'" *Kingdom 5-KR-41, Ltd. v. Star Cruises PLC*, No. 01 Civ. 2946, 2005 WL 110434, at *1 (S.D.N.Y. Jan. 20, 2005), quoting *White v. Dep't of Employment Sec.*, 455 U.S. 445, 450 (1982). Local Rule 6.3 provides that a motion for reconsideration should be granted where (1) "the Court has overlooked factual matters or controlling precedent that were presented to it on the underlying motion," and (2) such facts, had they been considered, would change the Court's decision. *In re WorldCom, Inc. Sec. Litig.*, 308 F. Supp.2d 214, 224 (S.D.N.Y. 2004).³ The decision to reconsider an order is left to the sound discretion of the district court, however, "it may be an abuse of discretion to let stand an error of law brought to its attention in a timely manner." *Cruz*, 2006 WL 547681, at *2, citing

³ Lead Plaintiffs recognize that, as this Court has held, Local Rule 6.3 should be "narrowly construed and strictly applied" in order to discourage litigants from trying to re-litigate through repetitive arguments issues that have already been decided. *Id.* As set forth herein, Lead Plaintiffs do not seek to re-litigate the motions to dismiss.

RJE Corp. v. Northville Indus. Corp., 329 F.3d 310, 316 (2d Cir. 2003) (“[a] court abuses its discretion when its decision rests on a legal error”).

A. Aftermarket Purchasers Of Converium Stock Can Assert Exchange Act Claims Based On Defendants’ Statements Made In Connection With The IPO

Lead Plaintiffs respectfully submit that the Court erred in its application of *In re IPO*. Relying on that recent decision, the Court held that: “To the extent plaintiffs’ Exchange Act claims are based on statements made in connection with the IPO, they will be dismissed.” Order at 34. The Court then dismissed Lead Plaintiffs’ claims against ZFS and the Director Defendants under Section 20(a) of the Exchange Act, and dismissed Lead Plaintiffs’ claims against Converium and the Officer Defendants under Section 10(b) of the Exchange Act to the extent that they are “based on statements made in connection with the IPO.” Order at 34. In so doing, the Court did not distinguish between investors who purchased shares in Converium’s IPO and those who purchased in the aftermarket. Reconsideration (or clarification) of this aspect of the Order is warranted because Converium, ZFS, and the Officer and Director Defendants may be held liable for the statements made in connection with the IPO to investors who purchased Converium stock in the aftermarket once the market for that stock became efficient.

In *In re IPO*, the Second Circuit addressed, *inter alia*, the question of market efficiency at the time of an initial offering of securities and held only that, because an efficient market for securities does not exist at the time of an initial offering, investors who purchase securities on such an offering cannot rely on a presumption of reliance in support of a claim under the Exchange Act. *In re IPO*, 471 F.3d at 42. Thus, under *In re IPO*, the critical question is whether the market was efficient at the time the securities in question were purchased – not whether the market was efficient at the time the misstatements at issue were made. The *In re IPO* decision did not address the question of whether investors who purchase securities in the aftermarket –

once the market for those securities has become efficient – can assert a claim under the Exchange Act based on false statements made in connection with the initial public offering. As discussed below, a wealth of case law supports the proposition that investors who purchase securities in an efficient market can assert Exchange Act claims based on false statements made before the market became efficient.

Liability for false statements under the Exchange Act continues after those statements are made, so long as the misrepresentations do not become “stale.” *In re Kidder Peabody Sec. Litig.*, 10 F. Supp.2d 398, 413 (S.D.N.Y. 1998) (“where the information in the press releases and public filings remains current and defendants fail to correct its falsity, a reasonable trier of fact could conclude that the information was material”); *In re JWP Inc. Sec. Litig.*, 928 F. Supp. 1239, 1270 (S.D.N.Y. 1996). Indeed, courts have held that liability for a false statement under the Exchange Act continues so long as that statement “continued to artificially inflate the market value of [the] security.” *See In re ZZZZ Best Sec. Litig.*, 864 F. Supp. 960, 975 (C.D. Cal. 1994). Such inflation continues until a subsequent disclosure corrects the misrepresentation and eliminates the artificial inflation. *Id.* The only absolute temporal limit on the liability for a violation of the Exchange Act is the statute of repose, which allows for claims to be filed within five years of the misrepresentation at issue. *In re Dynex Capital, Inc. Sec. Litig.*, No. 05 Civ. 1897, 2006 WL 314524, at *5 (S.D.N.Y. Feb. 10, 2006) (“The five year limitations period contained in 28 U.S.C. § 1658(b) requires securities fraud claims to be brought within five years of the occurrence of the violation.”).

Moreover, how long a false statement remains actionable under the Exchange Act is a question of fact that cannot be resolved under Rule 12(b)(6). *See JWP Inc.*, 928 F. Supp. at 1270 (whether information is stale is question of fact for jury to decide); *ZZZZ Best*, 864 F. Supp. at

975 (failure to correct prior materially misleading statement raises genuine issue of fact as to whether statement continued to inflate stock price).

Here, Defendants never argued that the false statements issued in connection with the Converium IPO – including the Registration Statement and the financial statements contained therein – became “stale” or ceased to impact the market price of Converium stock at any time following the IPO. Nor did Defendants contend that the market for Converium stock never became efficient following the IPO. Indeed, even under this Court’s application of *In re IPO*, there remain Exchange Act claims predicated upon the presumption of reliance afforded to investors once the market became efficient. Order at 32 (“These allegations address the basis for a presumption of reliance after the IPO, but do not constitute adequate allegations of reliance for plaintiffs (or class members) at the stage of the initial public offering.”). Furthermore, under the reasoning of *Basic Inc. v. Levinson*, 485 U.S. 224 (1988), and its progeny, that efficient market is understood to have digested all public information concerning Converium – including information issued before the market became efficient.⁴ Unless the false statements made in connection with the IPO are shown to have become “stale” or corrected through subsequent disclosures, investors who purchased Converium stock in the aftermarket once the market for that stock became efficient can assert Exchange Act claims based on the false statements made in connection with the IPO. Such claims include claims under Section 10(b) of the Exchange Act

⁴ The question of when the market became efficient likewise presents a factual issue that cannot be resolved under Rule 12(b)(6), and which will likely depend upon the testimony of expert witnesses. *RMED Int’l Inc. v. Sloan’s Supermarkets Inc.*, No. 94 Civ. 5587, 2002 WL 31780188, at *4 (S.D.N.Y. Dec.11, 2002) (“[w]hether or not a market for a stock is open and efficient is a question of fact”); *In re Laser Arms Corp. Sec. Litig.*, 794 F. Supp. 475, 490 (S.D.N.Y.1989) (“Whether in fact Laser Arms traded in an efficient market is a question of fact. Therefore, resolution of that issue must await presentation of further proof at trial.”), *aff’d*, 969 F.2d 15 (2d Cir. 1992). Once the trier of fact determines when the market first became efficient, the secondary question of whether the misrepresentations made in connection with Converium’s IPO continued to inflate the price of Converium stock at that time can be addressed.

against Converium and the Officer Defendants as well as Section 20(a) control person claims against ZFS and the Director Defendants.

B. Converium's Reserve Increases In 2002 Did Not Put Investors On Inquiry Notice Of Claims Under The Securities Act

In the Order, the Court dismissed Lead Plaintiffs' Securities Act claims as untimely. This decision was predicated on Defendants' argument that Converium's announcements in 2002 that it would increase its reserves placed investors on inquiry notice that the Company was under-reserved at the time of the IPO. As Lead Plaintiffs argued in opposition to Defendants' motions to dismiss, information that triggers inquiry notice "must be such that it relates directly to the misrepresentations and omissions the Plaintiffs later allege in their action against the defendants." *Newman v. Warnaco Group, Inc.*, 335 F.3d 187, 193 (2d Cir. 2003) (emphasis added). It is not sufficient that the subject matter of the misrepresentations – here, loss reserves – be the same subject matter addressed in the subsequent disclosures. The critical factor is whether the disclosure addressed the falsity of the specific prior misrepresentations that give rise to the claims. Here, Defendants expressly stated that the reserve increases taken in 2002 did not relate to a reserve deficiency that existed either at the time of the IPO or when the 2000 financial statements contained in the Registration Statement were first issued. Thus, investors were never on notice that the financial statements in the Registration Statement were inaccurate.

Specifically, in an October 28, 2002 conference call with analysts discussing the Company's reserve increases, Converium's CEO, Defendant Lohmann, stated "The reserve increases are driven by new information that we have received over the last nine to twelve months." Ex. A at 4. Defendant Lohmann explained, in detail, that those reserve increases reflected new developments that were not and could not have been considered by Tillinghast

when it reviewed the Company's reserves as of year-end 2000 in advance of the December 2001

IPO:

[T]he reported incurred loss ratio for all year, as of December 31, 2000, was 91.3 percent. This was the basis upon [which] Tillinghast conducted its review, which, if you recall, was (indiscernible) year-end 2000. By mid year 2001, the reported incurred was 107.7 percent. This was the information that Tillinghast incorporated in queing up its figures in time for the IPO. Since then, we have seen a steep increase in the reported incurred loss ratios, all the way up to 168.9 percent as of the 3rd quarter 2002. This development was well beyond anything either we or Tillinghast could have imagined at that time. We knew that it was a bad account and actually had over \$30 million of [reserves] booked in addition to the reported reserves as of year-end 2000. This proved, in the face of the new information we received during the last nine months, to be insufficient, and this account alone has accounted for nearly \$17 million in reserve additions during the 3rd quarter.

Ex. A at 3.⁵

This is not simply a matter of Defendants tempering the Company's disclosures with positive reinforcement. *Compare Milman v. Box Hill Systems Corp.*, 72 F.Supp.2d 220, 229 (S.D.N.Y. 1999) (“[C]ourts have been reluctant to find that public disclosures provided inquiry

⁵ The October 28, 2002 conference call, and Defendant Lohmann's statements thereon, are expressly referenced and relied upon in the Complaint (¶162), and were cited and discussed in Lead Plaintiffs' Memorandum of Law in Opposition to Defendants' Motions to Dismiss. Lead Counsel acknowledged that they could have better assisted the Court by illuminating these particular statements more clearly and forcefully in the papers opposing the motions to dismiss. A full transcript of the October 28 conference call is attached as Exhibit A hereto. Although no party previously submitted the full text of that conference call for the Court's consideration, Lead Plaintiffs respectfully submit – and Defendants argued in support of their motions to dismiss – that the Court may consider the entirety of that conference call in resolving Defendants' Rule 12(b)(6) motions, and can consider that conference call on reconsideration. *See Int'l Audiotext Network, Inc. v. American Tel. and Tel. Co.*, 62 F.3d 69, 72 (2d Cir. 1995) (“Although the amended complaint in this case does not incorporate the Agreement, it relies heavily upon its terms and effect; therefore, the Agreement is ‘integral’ to the complaint, and we consider its terms in deciding whether [plaintiff] can prove any set of facts that would entitle it to relief.”); *Cortec Indus., Inc. v. Sum Holding L.P.*, 949 F.2d 42, 48 (2d Cir. 1991) (“[T]he district court...could have viewed [the documents] on the motion to dismiss because there was undisputed notice to plaintiffs of their contents and they were integral to plaintiffs' claim.”); *White v. H&R Block, Inc.*, 02 Civ. 8965, 2004 WL 1698628, at*2 (S.D.N.Y. July 28, 2004) (on a dismissal motion, court can review “any written instrument attached to [the complaint] as an exhibit or any statements or documents incorporated in it by reference...and documents that the plaintiffs either possess or knew about and upon which they relied in bring the suit” (quotations omitted)); *In re Merrill Lynch & Co. Research Reports Sec. Litig.*, 273 F. Supp. 2d 351, 356 (S.D.N.Y. 2003) (on a motion to dismiss court may consider “documents ‘integral’ to the complaint and relied upon in it, even if not attached or incorporated by reference”).

notice where those disclosures were tempered with positive statements.”). Here, Defendant Lohmann expressly – and falsely – assured the market that the reserve increases being taken in 2002 reflected management’s response to new developments that did not exist, and were not foreseen, either at the time of the IPO or when the Company issued the year-end 2000 financial statements that were included in the Registration Statement. In contrast, in *LC Capital Partners, LP v. Frontier Ins. Group, Inc.*, 318 F.3d 148, 155 (2d Cir. 2003), the “reassuring statements” issued in connection with Frontier’s reserve increases addressed the question of recurrence, not the date on which the reserve problems began.⁶ This particular question – when the reserve problems began – was not at issue in *LC Capital* because that case involved only claims under the Exchange Act, and not under the Securities Act. In this case, unlike *LC Capital*, Defendants’ statements expressly assured investors who had purchased Converium stock on the IPO that the new reserve problems did not exist when Tillinghast conducted its pre-IPO reserve study. Such investors therefore were not on inquiry notice of potential claims under the Securities Act.

Thus, even accepting that the 2002 reserve increases may have put investors on inquiry notice that the Company’s actual reserve deficiency might be more substantial than disclosed by management, there was simply no indication in 2002 that the Company’s reserves as of year-end 2000 had been deficient. To the contrary, the information provided to investors stressed that the information necessitating the reserve increase had only begun to arise in the past nine months (beginning in January 2002) and was not – and could not have been – considered by Tillinghast when it reviewed the Company’s reserves in advance of the IPO. While these reserve increases may have placed aftermarket purchasers who bought Converium stock in 2002 on notice of

⁶ The statements addressed by the court in *LC Capital* were that Frontier had “paid the bill” and that the reserve problem “is now behind us.” *Id.* As the Court noted in the Order, the inquiry as to whether reassuring statements “prevent or dissipate the duty to inquire... depends ‘in large part on how significant the company’s disclosed problems are, how likely they are of a recurring nature, and how substantial are the ‘reassuring’ steps announced to avoid their recurrence.’” Order at 40-41, citing *LC Capital*, 318 F.3d at 155.

possible Exchange Act claims, investors who bought on the IPO received no notice that they had purchased stock pursuant to a false registration statement, and thus might have claims under the Securities Act.

Moreover, as set forth in the Complaint, throughout the fall of 2002 and spring of 2003, Defendants continued to represent to investors that the reserve increases taken in 2002 reflected “emerging reserve issues.” For example, in a November 19, 2002 press release announcing that Converium had completed its reserve study, Defendant Lohmann stated that the third and fourth quarter 2002 reserve increases reflected “management’s determination to confront emerging reserve issues.” Complaint ¶166 (emphasis added). The Company’s 2002 Form 20-F, filed in April 2003, similarly stated:

Throughout the year, increased loss experience related to prior years continued to emerge. These additional provisions are the result of the continued emergence of increased reported losses versus expected losses related to prior years.

* * * * *

Under these policies we review and update our reserves as experience develops and new information becomes known, and we bring our reserves to a reasonable level within a range of reserve estimates by recording an adjustment in the period when the new information confirms the need for an adjustment.

Complaint ¶175. These statements continued to assure investors that the reserve deficiency addressed by Converium in 2002 did not exist at the time of the IPO.

When the entirety of Defendant Lohmann’s statements on the October 28 conference call are considered together with these subsequent statements set forth in the Complaint, it is clear that a question of fact exists as to whether investors were on inquiry notice. In light of these statements, the Court’s determination to dismiss the Securities Act claims under Rule 12(b)(6) was in error. Dismissal of claims under Rule 12(b)(6) on grounds that inquiry notice triggered

the statute of limitations is appropriate only “if the facts needed to make the determination ‘can be gleaned from the complaint and papers integral to the complaint.’” Order at 41, quoting *Lentell v. Merrill Lynch & Co.*, 396 F.3d 161, 168 (2d Cir. 2005). The papers “integral to the complaint” on this point include the October 28, 2002 conference call, November 19, 2002 press release and 2002 20-F, consideration of which precludes determination of this factual issue under Rule 12(b)(6).

C. Leave To Amend The Complaint Should Be Granted If The Court Reconsiders Its Dismissal Of (1) The Securities Act Claims Or (2) The Exchange Act Claims Based On Statements Made In Connection With The IPO

The Court, in a separate order entered on December 28, 2006, denied Lead Plaintiffs’ motion for leave to amend the Complaint as moot in light of the Court’s dismissal of all claims based upon the alleged falsity of the Registration Statement. The primary amendment Lead Plaintiffs sought leave to make was the addition of allegations concerning Converium’s restatement of its 2000 financial statements. Should the Court reconsider its dismissal of any of the claims based upon the falsity of the Registration Statement and the 2000 financial statements contained therein, the allegations concerning the restatement would not be moot. As such, Lead Plaintiffs should be granted leave to amend.

CONCLUSION

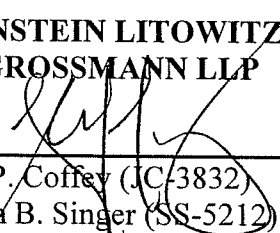
For the reasons set forth above, Lead Plaintiffs respectfully request that the Court reconsider those parts of its December 28, 2006 Order dismissing (1) Lead Plaintiffs’ claims against Converium and the Officer Defendants under Sections 10(b) and 20(a) of the Exchange Act that are based upon statements made in connection with the IPO; (2) Lead Plaintiffs’ claims against ZFS and the Director Defendants under Section 20(a) of the Exchange Act; and (3) Lead Plaintiffs’ claims under the Securities Act. To the extent that the Court reconsiders its dismissal of any of these claims, Lead Plaintiffs also request that the Court reconsider that part of its

December 28, 2006 Order denying Lead Plaintiffs' motion for leave to amend the Complaint to assert allegations concerning Converium's restatement of previously issued financial statements.

Dated: New York, New York
January 12, 2007

Respectfully submitted,

**BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP**



John P. Coffey (JC-3832)
Steven B. Singer (SS-5212)
Beata Gocyk-Farber (BF-5420)
Avi Josefson (AJ-3532)
Wendy Erdly (WE-9747)
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400

**COHEN, MILSTEIN, HAUSFELD
& TOLL, P.L.L.C.**

Mark S. Willis
Avi Garbow
Matthew K. Handley
1100 New York Avenue, N.W.
West Tower, Suite 500
Washington, DC 20005-4600
Tel. (202) 408-4600
Fax (202) 408-4699

SPECTOR, ROSEMAN & KODROFF, P.C.

Robert M. Roseman (RR-1103)
Andrew D. Abramowitz
Rachel E. Kopp
1818 Market Street, Suite 2500
Philadelphia, PA 19103
Tel. (215) 496-0300
Fax (215) 496-6612

*Attorneys for Lead Plaintiffs and
Co-Lead Counsel for the Prospective Class*

WEISS & LURIE

Joseph H. Weiss (JW -4534)

Jack I. Zwick (JZ-2514)

551 Fifth Avenue

New York, NY 10176

Tel. (212) 682-3025

Fax (212) 682-3010

Attorneys for Plaintiff Michael Rubin

Exhibit A

Transcript produced and provided by



10/28/2002 **CHR** **Converium Holding AG (CHR) – Q3 Earnings**
09:00 am **Conference Call**

Disclaimer: The information contained herein is the Fair Disclosure Financial Network Inc. (FDfn) textual representation of the applicable Issuer's conference call. There may be material errors, omissions or inaccuracies in our reporting of the conference call described below. This transcript has not been reviewed or endorsed by the Issuer and this FDfn transcript is derived from audio sources over which Fair Disclosure Financial Network, Inc. has no control. Words and/or phrases that cannot be transcribed accurately are so indicated in the transcript. The audio conference call should be considered the ultimate source of this content. FDfn makes no representations with respect to and shall not be deemed to be rendering investment advice.

MR. DIRK LOHMANN:

Thank you very much. Thank you all for taking interest in the announcement of our 3rd quarter financial results. Usually the 3rd quarter is a relatively mundane period, absent major catastrophes, and the market expects a fairly straightforward continuation of the results presented from mid-year as most (indiscernible) are prone to wait until year-end before making any major announcements. As some of you know, we did have a large catastrophe event in the 3rd quarter with the European floods. However, the more important event, insofar as Converium is concerned, is the preliminary results of some reserve reviews that we have been conducting during this reporting period. Many of you will recall that we had experienced continued reserve deterioration in the United States and in Germany, totaling some 38.4 million in the first half. This was troubling given the telling half's review in preparation for last year's IPO, and as a consequence, we decided to conduct a further review of all three non-life segments. This review is still ongoing, but rather than wait until it is finalized, we have decided to act proactively and take whatever actions we could now. We feel strongly that Converium should be known for its openness and transparency, which also means that, when there is news, we will communicate it properly, irrespective of whether it is good or bad. Therefore, rather than wait for the studies to be finalized and take the necessary adjustments at year end, we have booked a total of \$59.6 million in reserve adjustments for the prior years in our non-life business in the 3rd quarter. We also expect to make further adjustments in the 4th quarter once the studies have been finalized. While the amount required is not certain, we feel comfortable in signaling to our investors at this time that the additional reserve increase is not expected to exceed a further \$75 million. Additionally, there is news from our life business in the 3rd quarter. Here, we posted a total of \$10.5 million in reserve adjustments to reflect expected mortality and morbidity experienced on annuity group

life and disability business. Now, when we look at the 3rd quarter results and the results for nine months to date, you will find that the 3rd quarter ended up with a loss of \$5.6 million after tax. This is due to reserve actions just mentioned and compounded by the impact of the European flood losses of 50 million, and a further impairment charge against our equity portfolio of \$16 million. Looking at the year to date figures, you will see that our overall gross written premiums increased by 13 percent to \$2.5 billion. Net earned premiums grew 33 percent to just under \$2.3 billion. Our non-life combined ratio came in at 104.8 percent for the period compared with 131 percent last year. Pre-tax operating income improved over 400 million to \$33 million, and net income after tax improved by 385 million to \$26 million. (Indiscernible) per share remained fairly stable when compared to year-end, increasing 6.2 percent in dollars and decreasing 3.6 percent in Swiss Francs. In order to better understand the drivers of Converium's results, I think it is best if you look at each component separately. Additionally, when you separate out the noise associated with the prior year's developments and such extraordinary events as the European floods or 9/11, you can see that the underlying performance of the business written in 2002 is actually quite strong. Looking at the individual components, you will see that our net earned premium grew by 34.5 percent to \$2.15 billion, and an overall combined ratio for the period of 104.8 percent. Taking out the prior years (indiscernible), you come in at a combined ratio of 100.9 percent, which is pretty much in line with our forecasts. Since running catastrophe risk is part of our business, I do not feel it is appropriate to simply exclude the impact of catastrophe losses without excluding the relevant premium. However, for your benefit and to allow comparison with peers, I have included the impact of the European floods and 9/11. I believe that these figures show quite compellingly that our current business is performing quite well. Comparing 2002, including flood losses, with 2001, excluding the terrorist attacks and excluding prior year's development in both periods, you see an improvement in the adjusted combined ratios from 105.2 to 100.9 percent. As you know, part of our strategy is to build a significant life business over the long-term. Right now, the opportunities in non-life are much more attractive, but that does not mean that we are ignoring our life business entirely. In fact, during 2002, we have been reviewing the positioning of our life business with the aim of aligning it more closely with our overall customer strategy. This resulted in making management changes and reassessing some of the business previously written. As a consequence, our gross premiums written declined by 13 percent to 135 million, while our earned premiums grew by 9 percent to 113.5 million. New leadership was introduced through the hiring of Christophe Ludermann (phonetic) from General Cologne Lee (phonetic) who joined us on September 1 of this year. In addition, we added on experienced actuaries and introduced new systems to better track the performance of our existing business. This led to the reserve adjustments I mentioned earlier and to an overall segment loss of \$7.8 million for the year to date. The European flood losses were obviously the cap story of the 3rd quarter. This series of events led to a water discharge levels and rivers that are considered to have return periods of between 100 and 500 years. Our incurred loss was estimated September 7 at \$50 million, and it has remained stable since then. Relative to our peers, I feel Converium's loss is small in comparison. Why is this? I believe it is because we declined or non-renewed a number of accounts that were impacted by this event, due to the fact that the underwriting information and pricing of the last year was not up to our standards. Some of you may recall my comments from earlier this year where I stated that the rate improvement in some markets was not yet quite where we thought it should be. As a consequence, we did not write as much business in markets, such as Germany, as we had originally hoped. In this instance, it is nice to have been proven right for once, although I will be the first to admit that our concern at the time was the windstorm list and not the flood, since these are still difficult to model properly. While this event had a particularly strong

impact on our business segment in Cologne and for the 3rd quarter, I am pleased to say that, overall, our 2002 cap experience is still within budget, including this 100 plus year event. A further driver of our 3rd quarter and the year to date result was the impairment charges to our equity portfolio, due to the volatile capital markets. In total, we incurred a full year 16 million of impairment charges during the quarter. That is maybe below some observers expectations and was impacted by the restructuring of our investment portfolio from an actively managed to passively managed strategy. Martin will go into this in further detail later. Overall, our pre-tax yield and our investments are currently running at 4.1 percent and against an original forecast of around 5.25 percent. Now, a lot of you are probably asking yourselves what is happening in connection with the U.S. reserves. Where is this coming from and what led us to reassess the path? What we were observing was a trend of increasing severity, particularly in automobiles and battle of injury claims. In addition, we began to observe dramatic increases in the reporting of incurred losses by our seedling companies. It is generally acknowledged that the industry was in a very competitive market cycle during the late '90's and early 2000, and as a consequence of this cycle, we saw that insurance companies under reserved their business and also under reported their claims to re-insurers. An example of this sort of behavior can be seen in this case studied. This was a miscellaneous casualty (indiscernible) share that our U.S. operation participated on for the underwriting years 1997 to 2000. During that period, we earned a total of \$60 million in premiums. As you can see, the reported incurred loss ratio for all years, as of December 31, 2000, was 91.3 percent. This was the basis upon Chillinghaff conducted its review, which, if you recall, was (indiscernible) year-end 2000. By mid year 2001, the reported incurred was 107.7 percent. This was the information that Chillinghaff, Incorporated, in queuing up its figures in time for the IPO. Since then, we have seen a steep increase in the reported incurred loss ratios, all the way up to 168.9 percent as of the 3rd quarter 2002. This development was well beyond anything either we, or Chillinghaff could have imagined at that time. We knew that it was a bad account and actually had over \$30 million of (indiscernible) booked in addition to the reported reserves as of year-end 2000. This proved, in the face of the new information we received during the last nine months, to be insufficient, and this account alone has accounted for nearly \$17 million in reserve additions during the 3rd quarter. Unfortunately, this situation was not an isolated incident. As this slide demonstrates, the U.S. insurance industry began replenishing its reserve base beginning in 2001 when it made net additions of almost \$10 billion to prior year-end reserves. During 2002, had further announcements to both primary and re-insurance companies, so the story is not over yet. For Converium, it is my hope that we will have turned the corner when we complete our analysis during the coming month. Why do I feel confident about this? For one thing, we began to identify the problem as early as late 2000. It was then that we took our first reserve increase of over \$60 million in the 4th quarter, and it was then that we began to shed our under performing business. Some of the principal drivers of our reserve increases in 2000, 2001 and again this year were in the areas of miscellaneous casualty, umbrella and, to a less extent, medical malpractice EAs you can see from this slide, we non-renewed a substantial portion of the umbrella and miscellaneous casualty business in late 2000. At the same time, we instituted the beginning of a series of management changes and began an effort aimed at targeting less volatile and shorter tail lines in an effort to improve the quality of our portfolio. For example, in late December 2000, we hired Matt Sayazer (phonetic), Chief Underwriting Officer for Professional Lines. In addition, we reassigned the responsibility for umbrella and excess and surpass lines casualty and imposed stringent sign off and return criteria. The increase in medical malpractice that you see here only really took place in 2002 once (indiscernible) conditions have seen massive improvement. As I mentioned in the past, we also put a lot of effort into improving the

business mix following my joining the group in late 1997. One of these steps was to hire Sandy Moore (phonetic) in 2000 to write a book of our accident and health business. This was a relatively short tailed business having a tail of roughly two years to ultimate. Her performance to date is an underwriting combined ratio of under 95 percent since joining Converium. Another new line of business that you heard me talk about was our entry into the agribusiness. Roger Hecto (phonetic) and his team joined us in February 2000 and this is a predominantly multi-tailed crop insurance written on a non-proportional basis. Therefore, even with this year's drought, our agribusiness unit has produced a loss of commission underwriting combined ratio of less than 80 percent from inception to date. You may also recall that, up till 1997, the former Zurich center was almost exclusively a casualty company. Following my joining of the group, we began to build up a property capability in the United States under Gary Prestion (phonetic). Since his joining what is now Converium North America, we have built up a substantial property presence that has also been very profitable. (Indiscernible) conception to date, performance on property and property catastrophes since joining us has been a loss in commission combined ratio of 87 percent, including the 9/11 events. While the previous slide only gave you an impression of certain key lines, this exhibit shows you how the whole book has been performing since the inception of our re-underwriting efforts in late 2000. What you see on the left is the expected loss ratios at the time of the pricing for the business that we either non-renewed or renewed during the period. The lost ratios apply to the experience for all contracts from the beginning of the company, and it covers a total ultimate premium of over \$3.6 billion. What you can see is it is a business that we non-renewed, either at year-end 2000 or 2001 has experienced continued aggregate loss development on into 2001 and 2002. At the same time, the business that we chose to renew has shown a consistent performance across the cycle. So in summary, I believe that our current business in the United States is now creating value for shareholders. The efforts taken to improve the quality of the portfolio are unfortunately masked by the continuing reserve development from the past, stemming primarily from 1997 to 2000 underwriting years. The business that we have kept is seasoned and has performed consistently throughout the cycle. The non-renewed business has been characterized by continued late reporting, which is something that the current underwriting team cannot escape from. The reserve increases are driven by new information that we have received over the last nine to twelve months. At this moment, the reserve analysis is continuing and we expect it to be completed within the next month or so. While our figures are not yet certain, the preliminary findings suggest an additional reserve actions of up to \$75 million may be necessary. Now I would like to hand over to Martin to comment on the financials.

MR. MARTIN KAUER:

Converium's financial results reflect a continued improvement of the non-life underwriting, as well as the reserve development of prior years. The continued hardening of the market, the continued implementation of our business strategy and new opportunities from independents or lack of (indiscernible) growth of the non-life operation. We reevaluated our existing life activities and instituted changes in order to ensure a closer alignment with long-term strategic objective of building a leading life reinsurance business. (Indiscernible) has risen for the nine months ended September 30, 2002 were \$2.509 billion, an increase of 12.9 percent compared to 2001. Net premiums written grew by 25 percent to \$2.389 billion; Net premiums earned by 33 percent to \$2.272 billion. Today, less than a year after the IPO, Converium is established as an independent leading global reinsurer. We reported net investment income of \$192 million for the first three quarters of 2002, up 12.9 percent compared to 2001, and the net investment results of \$161 million, up 9.7 percent compared to the prior year. Our loss

adjustment expenses and life benefits were \$1.789 billion. 2001 was impacted by the \$289.2 million (indiscernible) relating to 9/11. Converium reported underwriting and acquisition costs of \$479 million, plus 43.3 percent compared to the prior year. Our operating and administration expenses were \$132 million, an increase of 28.1 percent. Converium Group reported pre-tax operating loss of 71 million for the 3rd quarter. (Indiscernible) pre-tax operating profit of 32 million for the first nine months of this year. Our non-life combined ratio for the first three quarters of 2002 was 104.8 percent, includes 3.9 percentage points related to the reserve development. The re-underwriting of the non-life group and the restructuring of the underwriting growth has resulted in the continued strong improvement of the underlying performance and a non-life combined ratio of 100.9 percent, excluding prior year's reserve developments. We report a net loss of 5.6 million for the 3rd quarter and a net income of \$26 million, respective free and earnings per share of 65 cents for the first nine months of this year. Our full credit per share about \$41.72 or 62.25 Swiss Francs as of September 30, 2002. The re-underwriting of our non-life group and the restructuring of the underwriting growth has resulted in a continued strong improvement of the underlying performance. For the first nine months of 2002, we reported non-life combined ratio of 104.8 percent. The accident years combined ratios and non-life combined ratios, excluding prior year's developments and 9/11, but including the European floods, decreased by 4.3 percentage points to 109 percent for the nine months ended September 30, 2002. The European flood had a 2.3 percentage points to both the accident and the calendar year combined ratio, the net reserve development 2.9 percentage points to the calendar years non-life combined ratio. Converium Zurich continued to strongly perform. Net written premiums grew by 30 percent to \$1.105 billion, and non-life combined ratio improved by 9.5 percentage points to 95.1 percent for the nine months ended September 30, 2002, compared to the 104.6 percent for the first three quarters of 2001, excluding 9/11. Converium Zurich's non-life combined ratio improved by 21.3 percentage points to 91.6 percent for the 1st quarter 2002 compared to the 112.9 percent in 2001 including 9/11. We report a pre-tax operating income of \$32.5 million for the first nine months of 2002. The 2001 are substantially impacted by the events of 9/11. The reported pre-tax operating income of \$32.5 million year to date was driven by the strong growth of our non-life business, the continued improvement of our non-life underwriting, impressive performance of Converium Zurich and partially offset by the losses related to the floods in Eastern Europe and the reserve development. The net investment income of \$101.9 million reflects an average annualized net investment to income yield pre-tax of 4.8 percent. This transition from an active to a passive asset management approach led to a restructuring of our investment portfolio. The restructuring of our fixed income portfolio resulted in net realized gains of \$56 million for the nine months ended September 2002. (Indiscernible) 3 million in the 3rd quarter. The restructuring of our equity portfolio resulted in net realized tactical losses of 42.7 million for the first nine months, 10 beginning this third quarter. Converium reported \$30.7 million of impairments for the nine months ended September 30, 2002. Our impairment policy requires us to record as realized tactical losses declines in value that exceed 20 percent over a period of six months, or in excess of 50 percent regardless of the period of the decline. At management's judgment, we impaired additional securities based on prevailing market conditions. (Inaudible) impairment policies fully compliant with the American standard. We record a total investment result of \$160.5 million. That reflects an average annualized total investment pre-tax of 4.1 percent for the first three quarters of 2002. In the 3rd quarter 2002, we received a very favorable tax ruling from the Swiss tax authorities, resulting in a \$23.7 million tax benefit for Converium AG. We reported a net loss of \$5.6 million for the 3rd quarter; respectively, a net income of \$26 million for the first nine months of 2002. Absent any major catastrophe, we expect a substantial improvement of our

full year net income compared to the first nine months. We are convinced that the additional reserve actions shall be more than offset by the results of our aviation group, we expect to emerge in the 4th quarter. Impressive growth of our cash flow: An increase of 54 percent to \$612 million for the first nine months. (Indiscernible) of 84 percent for the 3rd quarter of this year is the result of the continued improvement of the underlying performance of our group and also generates additional investment income. As per early October, we announced the restructuring of the fixed income portfolio. We show invested assets of \$5.7 billion, an increase of 16 percent compared to year-end 2001. Despite the turmoil on the capital markets and the reserve developments, our shareholders equity increased by 5.6 percent to \$1.66 billion as per September 30, 2002. This was driven by the high asset quality and the limited credit risks on our balance sheet. Our book credit per share increased by more than 6 percent to \$41.72 as per September 30, 2002 compared to year-end 2001. We maintained the integrity of our balance sheet. Our assets are of high quality. We have solid reserves and will continue to apply the most prudent view. Our asbestos exposure is marginal and strongly reserved. Our World Trade Center exposure is kept. We maintained a strong capitalization. As a result of the strong growth of our non-life business, particularly in specialty lines, our solvency ratio has (indiscernible). However, due to the integrity of our balance sheet and the conservative hearing, we are well positioned to further harvest in the hard market. Now, Dirk is going to expand on the outlook for the Converium Group for 2003.

MR. DIRK LOHMANN:

Thank you, Martin. Just to summarize for the 3rd quarter 2002, I just want to repeat here that the new and renewal business facts from year 2002 is performing to our expectations. Converium Zurich, the segment that writes much of the specialty lines, is exceeding expectations and is expected to continue experiencing strong improvement in results due to this focus on the specialty lines. The underwriting improvements in the business mix in the current (indiscernible) year performance of Cologne and New York are masked, unfortunately, by the reserve deterioration from prior years, stemming predominantly from '97 to 2000. As Martin already indicated, barring a major catastrophe in either property or aviation, we expect a strong 4th quarter in 2002, as the new business written late last year earns through the bottom line. In life, the business has been realigned to more approximately reflect the group's strategy, and new leadership was installed effective September 1, 2002, when we hired Christopher Ludermann to join us, who came from Cologne General Lee. The financials of the company are strong. The book value is stable, despite the volatility and the reserve actions taken thus far. The shareholders equity has increased. Our operating cash flow, as demonstrated by Martin exhibits, is extremely strong and expected to increase, and the balance sheet integrity is preserved. We have taken the necessary steps to make sure that the company is properly reserved for all of its liabilities, and we have taken the medicine, even if it is not comfortable. As what Martin indicated, the conservative gearing that we have on our balance sheet provides Converium with additional flexibility in order to finance the expected growth coming through into 2003. If we look at the outlook of 2003, lets take a look at the market. What we see here is that (indiscernible) demand is increasing. There is more need for solvency support due to the regulatory requirements and the weakened capital base of many of the primary insurers. The losses on the asset side also increased the insurers vulnerability to adverse underwriting results, thus driving demand for more reinsurance. On the supply side of the equation, we have seen some easing in the overall supply situation (indiscernible) markets. They are now more geared up and they are ready to perform as a player in the marketplace. We expect that this is going to have a greater impact on North America and on the international catastrophe market, and we expect that it will have a limited

impact on the specialty lines and in the frequency layers, particularly due to the constraints in accessing the right capabilities. (Indiscernible), on the other hand, I think is going to continue to evolve back to its roots of being a specialist insurance market, and will be less and less of a factors in reinsurance going forward. Finally, with the impact of decisions regarding companies, such as (indiscernible), I think you could expect to see a continued reshuffling of the industry lead tables. When we go and look at the feedback that we have been getting from (indiscernible) conference — and I expect that we will be getting similar feedback this week in Los Angeles from the National Association of Independent Insurers Conference, which is the American (indiscernible) if you will — I think you can see here that clients clearly understand the need for improved technical results. The rates of the primary fund are expected to increase, and also inaugurated re-insurers over what the terms can be, the issue of investment income is no longer an argument to rationalize poor underwriting results. People understand that re-insurers need to make a profit, a technical profit in order to achieve their ROE objectives. There is more emphasis on terms and conditions. It is not just price. Commissions are dropping and there are reductions in scope of coverage. A particular example for the European market here is the reduction or restriction of coverage for unlimited motor liability, which is being capped in most of the marketplaces where it is not required by law. Clients are also selecting re-insurers based on their commitment to the industry. Ratings are important, but they are not the only consideration. There are a lot of questions amongst the clients about some of the Bermuda players in Lloyds, and there is also a concern among clients about the impact of continued industry consolidation. They do not want to have all their eggs in one basket. So, while there is a flight to quality, there is also a flight to people who they believe are going to be long-term players in the industry, and this has led to increased opportunities for Converium. In looking at Converium's group and its outlook for 2003, I think here are a few things that you can expect. I think you can expect to see continued growth in the specialty lines, particularly aviation, professional liability and agribusiness. We expect to have an improved market penetration in essential and Southern European markets, with Germany, Eastern Europe, as well as France, Spain and Italy. And we think we will see continued strong growth in the Asian and Latin American markets. We anticipate that the shift will begin towards more access of lost business within our portfolio. And, in North America, we think we could experience significant growth as the market now returns to profitability. Our life business, we think, will grow modestly with a focus on profitability improvement and building the infrastructure for long-term growth. That is sort of the outlook for Converium. Thank you very much for interest, and I would now like to open the conference for questions.

THE OPERATOR:

(CALLER INSTRUCTIONS). Ms. Susan Holiday (phonetic), UBS Warburg.

THE CALLER:

Obviously, you are conducting an actuarial review into the reserving issue in the U.S. Is this done by internal or external actuaries? Can you tell us why you think 75 million is going to be enough, given that the review is not finished? The second question is to the balance sheet. You mentioned the flexibility of the group, due to the low level of gearing. Given the recent report by Sdoes that mean that you are contemplating raising for example, debt or other forms of hybrid tax or something?

MR. DIRK LOHMANN:

Our review of what we are conducting is largely an internal review. It is not just in the United

States. We are looking at all three segments. With respect to the North American segment, we are also consulting with an external party to confirm the numbers that we come up with. Why do we think the \$75 million will be enough? We adapted, in addition to the traditional methods that we have used here in the organization historically, the approach that we used, together with Chillinghaff back in 2001, which gave us what I would call an industry wide top down view on top of the experience that we actually had from the accounts that we have been writing historically. While the top down review is sometimes a little bit defused in that it is not very precise, it gives you an indication of where things are headed. That is why we feel that the \$75 million that we could book in the 4th quarter will be more than sufficient. We have different views. We have got about six different methodologies that we have used. The top down here has basically reaffirmed what we have. Now we are going in and looking at the individual segments, which are the segments I described in my presentation earlier.

MR. MARTIN KAUER:

With regards to the conservative gearing, when you look at our consolidated balance sheet, then you will figure out very quickly that we still have a substantial capacity for additional debt financing in our balance sheet. Basically, we can support the further growth of our business by debt. Now, basically based on the current situation on the capital markets, the equity markets are very, very difficult, and in addition to that, we do not have shares, basically, that we could use for the convertibles because we did not want to dilute the provision of our current shareholders. While the fixed income markets were basically driven by very, very high spreads in the hybrid markets; but also basically by the complete lack of demand. Basically what Standard and Poor stated in the press release, that they issued last week, was they confirmed our capitalization on the double A level. They basically said that, given the current situation in the equity and the fixed income market, our financial flexibility is somewhat reduced, as for any other group that is out there. From this point of view, they have put us on a negative outlook. We should not forget that Standard and Poor has a pretty negative view on the reinsurance industry as a whole. I think more than two-thirds of our competitors also have a negative outlook. Some of them have been downgraded. Just like you mentioned, they are downgrading from three. You only use the triple A rating once. We experienced that with the big banks roughly 10 – 15 years ago. Basically, if changing the outlook was also driven by Standard and Poor view with regard to the reinsurance industry. To summarize, we have the flexibility in our consolidated balance sheet to finance the further growth of our company by issuing debt in non-diluted instruments with regards to the provision of our shareholders, and there is no doubt that we are basically, in the U.S., in the evaluation right now, what we will do in order to support the envisioned growth in 2003.

MR. DIRK LOHMANN:

I just have to make one more comment with regards to the news. Obviously, the focus of the news in this quarter is the need for increase. We have also been reviewing the segment in Zurich, and if you look at our historical performance, you can see that Zurich has historically the least reserves on a fairly consistent basis. We still think that there are potential redundancies in our reserves in Zurich, but we felt that we should complete all of the analysis for the segment before taking things out of the honey pot, if you will, and we decided to take the bitter medicine. So we feel that overall, the group is very strongly reserved and that there are redundancies in some areas and there are deficiencies in others. The deficiencies are the things that are being addressed right now.

THE CALLER:

Can I just ask a follow up questions about the balance sheet, which is that I am slightly surprised that you do not feel that you can grow the capital by retained earnings enough to support the growth, and that you may have to consider raising debt.

MR. MARTIN KAUER:

I think when you look (indiscernible) Standard and Poor have decent models. When you look at Standard and Poor capital models, there are basically two key (indiscernible) with regards to the capital to equity ratio, one of them being the premium, the other one of them being the return due to the fact that our growth is driven by specialty lines that have a somewhat longer term than the present parts of (indiscernible) reinsurance business, we have basically both triggers working against us. Higher premium income results in additional need for rating capital. Higher returns coming out of the longer-term growth also results in additional demand for rating capital. This is basically the situation that we are confronted with. In long-term business, basically, you generate the income over a couple of years while the income statement and the balance sheet is impacted by the point in time you basically generate the growth.

THE OPERATOR:

Frank Schtoedfelt (phonetic), West LB Pan Europe.

THE CALLER:

First, your switch to business management for the entire group: Is this a medium term strategy or is it just an approach until the markets have bottomed out? The second question, related to this, is about the benchmark for the three or four portfolios. The first question is again on the reserve strengthening, the \$75 million you mentioned. Are these necessary for the same lines for which reserve strengthening was necessary in Q3? Could you be also a bit more specific on your (indiscernible) experience, especially in the terms of premium growth?

MR. MARTIN KAUER:

When we were still part of the Fedafez (phonetic) Group, basically the strategic asset allocation, as well as the asset management approach, was driven by the overall Fedafez Group hue on asset management. As part of the (indiscernible) of the separation from the Fedafez Group, basically, we switched our asset management approach from an active managed approach to a passive managed approach. In order to have the underlying platform, basically we established a global custodian early this year, and this allows us now basically to switch portfolio by portfolio? Why are we doing that? There is statistical evidence that, in the long run, passive managed portfolios outperform actively managed portfolio on a net of commission basis. This is one reason. The other reason: It is easier for you, basically, to model our income statement and our balance sheet when we have portfolios that closely follow a specific benchmark, which leads us to the benchmark question. With regards to the equity portfolio, we are going to use benchmarks from the MNCI (phonetic) index family. With regards to the bonds and portfolio, we have to distinguish between basically the (indiscernible) securities in the United States and between the so-called normal bond portfolio debts we have. There, we are going to use benchmark coming out of the same benchmark family. We will also start basically, with year-end 2002, to completely restructure our disclosure of the investment income. Basically, we are going to show to you, with the 4th quarter results, how the respective benchmark performed, how our portfolio performed, and how this performance is reflected in the income statement and in the balance sheet.

THE CALLER:

Could I just go to reserve strengths and what lines of business are expected to see the reserve strengthening? It is going to be, to a certain extent, same as the 3rd quarter. The 3rd quarter we took a first step and as I said, we were still finishing up studies. It is going to be in the areas of umbrella, it is going to be in excess auto, miscellaneous liability, and to a lesser extent in medical (indiscernible) practice. You might recall from the slide that I showed you there, we did not (indiscernible) medical and hospital (indiscernible) practice (indiscernible) here in the United States back in the late 90's, but we have experienced some severity development on those claims. In regards to the (indiscernible) expectations for premium growth, I think here what's — what I can say is we obviously see lots of opportunity from new clients. New relationship with Converium is now accepted as an alternative market to the established players. Some of the clients that we intend to trade with last year when they were dividing up their re-insurance and allocating their participations, could not wait until December 11 to see whether the IPO would really happen. Now that it has happened, they are interested and willing to trade with us. As far as how this is going to all flow through and grow, it is hard to say. Because one of the things I think you have to keep in mind is that as the clients are being faced with dramatic increase in cost, they are also reassessing the structure of their re-insurance agreement. And as I said in my closing comments, I think what you can expect to see in our (indiscernible) is a shift back towards non-proportional excess of loss business. If you look at our portfolio and our premium growth in the last 2 years, particularly in Europe and in the UK, we grew very dramatically in the Piranha business. We made proportional close shares on motor business in the UK because it was the right time to do it. Rates were going up, they were well in excess of the inflation, and it has been a profitable business. What we see in the UK right now for motor for example, is that the rate of increase on the auto policy is now slowing down and we expect it will actually fall below the rate of claims inflation. And as of a consequence, you start to cut into the margins of that business generally. So one of the things that we are anticipating for 2003 is that we are going to cut back our UK motor. Now there may be other opportunities on the continent, and there certainly will be other opportunities that will make us a loss basis, so it is very hard to say exactly what the top line will look like. But I might just refer you to some of my (indiscernible) includes March, the presentation of — when we presented our year-end results. I also gave you some examples of how changes in portfolio structure can actually lead to — you know, dramatic drops in premium, got big increases in the margin for re-insured. And I think that that is what is going to happen. Okay.

COMPANY REPRESENTATIVE:

Overall, I would expect (indiscernible) we are still going to grow. Are we going to grow at the same put? Hard to say because we are going to probably see shifts in the business mix away from some proportional and non-proportional excess of loss.

THE CALLER:

Okay. Good, thank you.

THE OPERATOR:

Mr. Brian She (phonetic), Merrill Lynch.

THE CALLER:

Good morning. As an outsider, it is real tough to make up my own mind about your reserves and whether the strengthening is enough, how much you need to do and how you contrast to

your peers. Is there any information you could give us on IBR so we can just make it easier for us all to make up our own mind? Hard data or feeling that even trends, are your reserve increases rebuilding the IBR fat or are increases and reported claims still eating up that fat?

COMPANY REPRESENTATIVE:

I do not have exact figures in front of me right now Bryan, but the — I would definitely say that what we are doing now with these adjustments is we are re-increasing again the IBR fat, because the reported — the accelerated reported incurrence from the clients (indiscernible) and we basically — you know, we are reestablishing that. So it is not just — these reserve increases are not just keeping the IBR appreciating where it was or letting it melt away and then just come sitting for the claims that are being reported, but also reestablishing some of the IBR margin. I think you have to keep in mind that most of the business that is getting these reserve increases is very long tail business. In the umbrella for example, we have paid very, very little in claims on this stuff. But we see the emergence as a reporting, and that drives the reserving process. As the reported claims exceed expected reported, we then (indiscernible) factor that into our projections and it drives the increase in reserves. But we will do when we complete the study and at the year-end, we can break out IBR against case.

THE CALLER:

If you could, that would be really useful. The second just very deep technical point, can you give us any indication of what we should be expecting for 4th quarter impairment charges?

COMPANY REPRESENTATIVE:

If you tell me that the markets of — the equity markets are going to be at year end 2002, I can give you some indication basically what our impairment charges are going to be. No, I mean, not kidding. Fact is that basically when you carefully read our interment policy then you will also find a sentence saying that the management judgment, to book additional impairment if we feel, based on the current market position it is wise to do. So basically, we booked additional impairment charges one more time this quarter we impaired all the stock that were between 50 and 55 percent of its original purchase price in the 3rd quarter. From this point of view, our internal forecast we have an additional US\$20 million of impairment charges in our internal forecast. And when I am, say basically that we expect a very, very strong 4th quarter, it means including this US\$20 million. But just to keep you basically an additional — kind of sensitivity, if the market place basically is going to be at year end that the stock markets are roughly 10 percent below where they were at December 30th, this will (indiscernible) company like 10, 11 million or traditional impairment charges (indiscernible). As I said before, we had in our internal forecast and impairment charge of US\$20 million taken into consideration.

THE CALLER:

Thank you very much.

THE OPERATOR:

Andrew Pete, City Group London.

THE CALLER:

Yes, good morning gentlemen. I had one of my principle questions already answered but just two other quick questions. I wondered whether Dirk you could comment briefly on the aviation renewals at the moment and how that has been going for you and secondly just

whether you could comment on your possible dividend philosophy because it strikes me. Your dividend philosophy is stuck between weighing up the non-cash elements to a number of the charges you have taken to show, even if some of those are short to short term non cash elements in terms of the reserve strengthening; thus is the need to fund growth. But obviously, investors are aware of the fact that they receive no dividend from Converium for the IPO year and what kind of payment do you — they could expect for 2002?

COMPANY REPRESENTATIVE:

Okay let me address the event — aviation rules. I mean, as you know about 70 percent of the world fleet renews in the 4th quarter. We write an individual risk account which is on (indiscernible) facultative and we are participants in the major pools of global aerospace and USAIG. What we have seen so far is that on the major trunks in the renewed — like October 1 or now during the course of October for November 1, we have actually seen the prices stable or actually up a little bit. For example, United was up a little bit and this despite the fact that the fleet value is down on the RPK's, the revenue passenger kilometers, is down dramatically. So, they have been able — the airline insurers and the re-insurers have been able to convert the 3rd charges that were added on after September 11th into the base rate, and increase it —. Now that is on plane renewals. Okay? If anybody had anything in the interim, they are going to get more than that, okay? So overall, the aviation market is holding up very, very nicely. And now as well as excess and loss is concerned, we are in the middle of now negotiating with new renewals of the 2003 covers (indiscernible). But what you can see there is that the number of people competing had declined. St. Paul withdrew from the aviation excess of loss business; John Tillin (phonetic) Syndicate is no longer a market for that. He was a major lead market, and for the number of people that are competing with us as leaders and price setters of this business, has actually reduced. So, I am very, very bullish on that and I think one thing also you have to keep in mind, we mentioned it earlier on. And we get the renewals of the airline policies; we see where the actual experience is. We are adjusting our expected loss ration for the 2001 business that is now fully earning in the 4th quarter. Because we set an expected loss ratio and we really are actually going adjusted on these airline business until we get the renewal and we come off clean. So, that is why we think the 4th quarter also could be very strong if we are not faced with a major ride body incident in the last weeks and this year. With regard for the dividends (indiscernible), our board is trying to propose a dividend at the up coming shareholders meeting in the spring of 2003. That is based on a payout ratio that is in line basically with our peers. So from this point of view I can only tell you look at the payout ratio of our peers, and then you can make your own assumption what the dividend payout for 2002 is going to look like. Obviously, I mean the amount will be driven very much, by what the 4th quarter end looks like in the — total 2002 year ends up being.

THE CALLER:

I think you have said in the past that you would pay roughly a quarter of the US GAP earnings. I mean — you could always take an average of the peers. But you will find your peers, anything between 20 percent and half of earnings as a dividend payout ratio. I do not know how useful that is to be found.

COMPANY REPRESENTATIVE:

That is not entirely correct. What we said in the past basically is the following. A lawyer advised us not to say anything about the payout ratio. And we usually refer to our peers now, our European peers at a somewhat higher payout ratio than our North American peers, and

from this point of view it is basically up to a ball to make — divide proposal at the upcoming shareholder's meeting.

THE CALLER:

So the message is it's get earnings off for the impairment charges because a number of your peers are actually indicating that they will take non cash impairment charges in mind when they actually set their dividend level this year.

MR. MARTIN KAUER:

The dividends will be based on the net income for the year. And the net income for the year is going to be essentially higher, absent any major catastrophe due to the fact that we expect to earn substantial profits coming out of our radiation book in the 4th quarter of this year.

THE CALLER:

Okay, thanks Martin.

THE OPERATOR:

Mr. Joey Sanmeyow (phonetic), Execution.

THE CALLER:

Hi there. I have 3 questions, but I think Facket (phonetic) also has a question as well. Firstly, just on the Zurich operation, I just wanted to clarify that there were no reserve releases in Q3. And also maybe talk a little bit about the expense ratio. It looks — you know, 10 percent like there were maybe some special contracts or deals done. I just wanted you to maybe talk about what the run-rate is going forward excluding reserve releases, excluding any funnies on the expense ratio for the Zurich operation. The second question was just on the reinsurance recoverable. Can you give us a specific percentage of how much of these are collateralized? And then just interims of recent down grades you know, with respect to Tremwick and (indiscernible). Can you give us a percentage of how much of your recoverables are actually from those two companies and have you taken any additional actions in terms of getting additional (indiscernible) of credit etc. And my final question is just on the investment portfolio. Can you tell us what the reinvestment yield is on the new bond portfolio versus what you are earning on the old portfolio which I think was above 5 percent and also just clearing up some (indiscernible) in terms of the invested assets. I think you are sort of predicting invested assets to grow by 10 percent from the half year to the end of 2002, which seems a little bit aggressive. And then also can you just clarify that you have increased your exposure to equities and it looks by around 100 million in Q3.

COMPANY REPRESENTATIVE:

Emily, let me just talk about the Zurich operations. We have not taken any releases in the 3rd quarter on the Zurich operation, although the preliminary findings would indicate that we may have some redundancies there. The expense ratios in Q3, as far as I know the acquisition costs are distorted. There was a correction in the way we booked some of our Lloyds quota share transaction, in the past, we had reflected the cost of some of the built in reinsurances that the Lloyds syndicates bought. On the net account quota shares, we were riding as an expense as opposed to a seated reinsurance premium. And so we basically corrected that during the quarter, and that is why we have a somewhat funny looking underrating acquisition expense of 10 percent in the Zurich segment. I mean the run rate really is around 18 to 20 percent and we will come back to that I think over the course of the year. I think that addresses your

reserving lease and expense ratio question on Zurich. As far as in the company's collateral, I do not have the number. All I can say is we got — I mean, Martin may have something. In regards to trend (indiscernible) we do not really have much exposure. I do not think we have any outfitting losses right now from them. In the presentation, (indiscernible) probably have in front of you that you can also find on our web page. On page 15 the (indiscernible) you will find basically a split of a re-enduring debt that is now with regards to what it collateralize what is not the bulk of a range or invested or collateralized. Either by deposit, security, and or (indiscernible) of credit. Now with regards to the growth of invested assets, basically we adjusted the middle of the restructuring of the bond portfolio. Therefore, when you look at the balance sheet without reading the explanations you do not get the full picture. In early October after this restructuring of the bond portfolio, we showed US\$5.7 billion of invested assets. This growth is fully in line with our expectation and also reflects the strong cash flow from operating activities. We also expect in the 4th quarter the strong cash flow to continue. So from this point of view, the investment base basically reflects the strong growth that we experienced in the specialty lines in the long-term business, basically that we are riding. Now with regards to the investment yields that we achieved in our bond portfolio, of course due to the fact that the interest environment is so much lower than it was it he couple of — in the last couple of years. I cannot give you the exact number of the investment yields that we are achieving right now with our bond portfolio. The only thing that I can tell you right now that we do not change basically the quality of a bond portfolio. So roughly, 2/3rds of the bond portfolio is invested in triple A security, and therefore the overall yield for 2003 going forward is going to be somewhat lower than what we experienced so far in the past. Now with regards to the investments that you talked about in equities, we want to stick to our strategic asset allocation of 10 percent in equity, 85 percent in a high quality bond portfolio, and 5 percent in real estate. So basically, we did some investments in equity in the quarter for 3rd quarter of 2002. I think one other thing that is important to point out, if you look at the balance sheet (inaudible) the balance sheet figures are available on the website, aren't they?

THE CALLER:

Yes.

COMPANY REPRESENTATIVE:

You will see that the (indiscernible) assets that we have with Zurich, whilst it has come down a bit, it is still very high; it is over \$1.5 billion which is a little higher than we expected. But the payout of the (indiscernible) business is actually taking — on the Zurich segment, is a lot slower. And as a consequence you know, it is going to help the overall return because that is still generating an average way to return a 5.3 percent.

THE CALLER:

Dirk, hi it is Facket. A couple questions one is I would like to talk about guidance for next year. Because we are tuning in to this conference call and other conference calls and hearing about the hard market and we are looking at results and there is nickel and dime — we are being nickel and dimmed all over the place, and I want to talk to you about 2003 and whether you guys can actually deliver the earnings that I think people were expecting and I think your share price is reflecting that. So the specific comment is how do you all feel about making 200 million of earning next year given what you are seeing in top line, given what you are seeing combined ration, given what you are seeing with the bond yields, even with the reinvestment risk. And I think the answer is rally important because I think some of these European insurance stocks are under performing the US because a lot of the US stocks are

willing to give guidance. But I would love to hear what you think about that. And my second comment was the debate with you about the dividend. Because I think if you are going to come to the market and ask to raise capital via some debt instrument, I just do not see what the point is to paying a dividend; a 20 percent dividend or 50 percent dividend. I just do not think shareholders are interested in it. I would much rather you, if you think these hard markets are serious. I would much rather have you put 30 million of capital into this market.

COMPANY REPRESENTATIVE:

I will give you the guidance and then we can go on the debate on the dividend in a second. I think if you look at the current year — current (indiscernible) of the year 2002, combined ratio excluding the prior year's development running at 100.9 at the 3rd quarter, I think we can show right there that we have done a very credible job in turning the book around. And all signs are going to be that if the 4th quarter comes in as we expect it, that will come in on the current (indiscernible) year below the hundred. And there is no reason why it should not continue to improve in 2003. I do also feel that we have turned the corner on the reserve thing with this further study. And the reason we went into this study is we decided that we did not want to go through a Nickel and Dime exercise and show 10 or 20, or 30 million every quarter because our clients are now getting real with what the hell their reserves should be. And as a consequence, you know, I really feel very strongly that 2003 you are not going to see this sort of development impairing our good performance in the business year 2003, and the improvements that we had hoped would flow through fully in the bottom line of 2002 will flow through in 2003. We are going to see growth in our portfolio as far as business is concerned, that is going to drive capital needs. And we can get into this whole issue about where you generate the capital. Do you keep the retained earnings? Definitely, we should keep as much retainance as we can as long as we have a very positive market environment where we can reinvest that capital for greater return for our shareholders. We are looking at using the flexibility that we have at our financial leverage to financing that growth through a debt offering. Now a debt offering if you wanted to crown its waiting capital (indiscernible) character, and in order to get somebody to buy it down, you also got to pay a dividend. Otherwise, they are going to be a little nut and they will jump you about buying one of those things. But you know, you got to satisfy — I will call it different masters here. And then Martin, you want to talk about that a little bit more?

MR. MARTIN KAUER:

Usually when you talk to — such a dead issue, in order to get the credit from operating agency as — you know, to be committed as rating capital, the interest payment on the debt has to be linked to the dividend. So if there is no dividends paid out of the shareholders there is no interest paid out to the bondholders. Now with regards to debt and with regard to what we stated already and (indiscernible) promised the IPO (indiscernible) year ago, there is no doubt that we intend to pay to the dividend. As I said before, they are basically do determining factors, the net income for the full year, and as I said before we expect a very, very strong 4th quarter, and the payout ratio and I am basically fully in line with your consideration segments that — and payout ratio is going to replay basically the overall profitability of the group and with regards to that basically. I think you are absolutely right. The payout ratio will be inline with the expectation of the shareholders and the (indiscernible) is going to propose an appropriate payout of a dividend to the share — to shareholders meeting.

THE CALLER:

Can I just follow-up with the share buy back? I think — seems like the share buyback has mostly been activated in (indiscernible) has been to buy back the options, but looking at your share price today, as it heads towards book value. How do you all feel about your capital position and if you have some debt offering in the background, why wouldn't you be in their today buying your shares back?

COMPANY REPRESENTATIVE:

There are basically two elements. One element is that given our (indiscernible), we literally had contingent capital for our auction program. However basically we had decided to buy back the respected shares in the market place instead of increasing the number of outstanding share. Now with regards to buying back the shares in the market place, as I have said before, we have to basically support the future growth of our business in 2003 by their respective rating capital, and from this point of view (indiscernible) offered by (indiscernible) in their most recent report. You know, we are going to have to strengthen our rating capital either by some debt instrument or by a shift toward a higher quality in our bond portfolio. So from 2/3rds in three places (indiscernible) 5 percent in 3-play rated bonds in order to maintain the capitalized equity ratio in the double A range. But we are basically evaluating the introductions that we have right now from this point of view. We want to have a strong balance sheet and we want to have a capitalized equity ratio in the range in order to be a competitive reinsurance group.

THE CALLER:

Okay, thank you.

THE OPERATOR:

(CALLER INSTRUCTIONS). Mr. Thomas Strachzenbah (phonetic), Funk Bell Dude.

THE CALLER:

Yes good morning. I have got 2 questions. The first is could you quantify your absolute level of reserves in the US casualty sector? And the second question is about your shareholders equity, which basically did not change — almost not changed despite a very weak equity markets and why you managed to keep that equity on the same level?

COMPANY REPRESENTATIVE:

You know Thomas, I am not sure if I can give you the exact precise breakdown of reserves or casualty. I think that I am not going to be able to give you that answer at this point and time. All I can say is that this — you know, if you look at our business mix, although we have improved it substantially in favor of short (indiscernible) they do not generate or throw off huge reserves because they are very, very short sale. So I would say it is safe to say that the bulk of the reserves that we have on the North American balance sheet are for 3rd party line mainly businesses of once or the other. But I cannot at this point say how much it is.

THE CALLER:

So the bulk would not be 2/3rds, something like that?

COMPANY REPRESENTATIVE:

Well it is probably more than 2/3rds. Much more, I mean —.

THE CALLER:

80 percent?

COMPANY REPRESENTATIVE:

Yes, easy. Because you know, when we are talking about loss reserves do not forget there is also reserve provision in the balance sheet for unearned premium.

THE CALLER:

Yes.

COMPANY REPRESENTATIVE:

Let us put it this way. I mean in the material that is going to be disclosed today basically you find the invested assets by business segments. Now when you looked at the invested assets by business segments, it is (indiscernible) from the area of North America — just give me a second.

THE CALLER:

Where do I find this, sorry?

COMPANY REPRESENTATIVE:

That is basically in the 6K that is going to be distributed today. You will find invested assets for Converium North America of US\$957 million as for the end of September (multiple speakers). Just to give you some kind of thoughts, some indication and these invested assets of course cannot in a very simplifying approach a balance sheet of (indiscernible). One thing I just want to point out is the 957 is way understated because of the (indiscernible) within the fixed income at the 30th of December. We had actually sold a lot bonds and (multiple speakers). (multiple speakers) closed 1.3 billion, so you should basically add that together and you get figure in 2.1, US\$2.2 billion in a very simplifying approach to a balance sheet. You could say (indiscernible) invested assets kind of off (indiscernible) are reserved in North America. All in all the — is a very, very simplifying approach without now adding the concrete figures in (indiscernible) retail is something like US\$2 billion of net reserves in North America. The bulk of this of course basically for our long-term business, the casualty business.

THE CALLER:

Okay. And Converium Zurich in Cologne there is also a US business.

COMPANY REPRESENTATIVE:

No, Cologne we only have some run off which is the AE(multiple speakers) \$45 million in the non-life area. In Zurich, we write currently probably in the range of about \$150 million worth of enforce premium for the United States, which is a mix of property and casualty. So what I can say is that our US business in Zurich has not experienced the same degree of deterioration, but then the portfolio mix that we had was not that great because we only started writing the business in '99 when we shut down Zurich (indiscernible) London, and we did not write a lot of the umbrella type business at that time.

THE CALLER:

Okay.

COMPANY REPRESENTATIVE:

With regards to the equity securities, basically there were two drivers. The first driver is the exchange rate, (indiscernible) equity portfolios in UK towns and in Europe due to the weakening of the US dollar against the European currency of course, (indiscernible) higher equity for (indiscernible) from the — coming from the equity portfolios in Europe and UK towns. On the other hand, as I said this before, in order to maintain our strategic asset allocation of 85105, basically this might be invested in equity in the 3rd quarter 2002.

THE CALLER:

Yes, but when I look at those figures, you increased equities by 100 million during the quarter. At the same time the equities market went down by some 10 to 15 percent during the quarter. So, I would have expected additional, like the same (indiscernible) 70 million loss in shareholders equity due to the market? And that did not materialize. How did you do that?

COMPANY REPRESENTATIVE:

In a sense, basically we took some additional impairment in the 3rd quarter if I remember correctly 15 million. And that included in their and some additional investments that we did in the 3rd quarter.

THE CALLER:

Okay thanks.

THE OPERATOR:

Mr. William Hawkins, Fox Pig Caultron.

THE CALLER:

I wanted to push a bit harder Dirk on your comments about the outlook for earnings for this year and also for 2003. Until this morning, Converium has been sticking with 100 percent combined ratio target for the full year including — what were the previous reserve strengthening. My guess is following this news they are going to find that difficult to achieve. I am wondering if you can give us sort of some kind of guide by the amounts you might miss it by, by the end of the year. And also, in the context of having pretty much made no money in the first 9 months, when you talk about a strong result in the 4th quarter, that is something of a woolly term. I mean, relatively speaking is strong (indiscernible) 20, or is it 50 or 100 or 200 or what? More importantly, looking out for 2003, given that you were previously expecting to be doing 100 percent combined ratio for this year, and naturally improving underwriting improvement for next year, therefore making an underwriting profit. I am wondering if you can comment a bit on the outlook for the investments in coming more detail. I think (indiscernible) saying in the PMC division, the discreet 3rd quarter investment income was slightly shy of \$60 million. Now clearly on the one hand you rolled your investment portfolio to reduce the yield, but on the other hand, your float should be bigger by next year. If I simply take that 58 million and multiply that by 4 for next year, I get to about a \$230 million pre-tax result. Which presumably should then be augmented by some kind of underwriting profit, and then also assuming the equity markets perform positively a very modest capital gain, and hopefully no further loss in the life reinsurance division. Which should comfortably get you to a pre-tax result somewhere in the mid-200 if not the high 200's. In terms of the outlook for the 4th quarter and also my comments on 2003, can you sort of tell me where my thinking may or may not be right and wrong? Thanks.

COMPANY REPRESENTATIVE:

Let me address the 2002 and the 4th quarter, and my somewhat woolly statement about a strong quarter. Let me just put it in context. We write \$300 million with the gross aviation business. All right? Now a very significant part of that is airline accounts either facultative; it is about 100 million, or it is through the pools that we (inaudible) global aerospace and USAIG. And then we also have an excess of a loss account of about \$45/50 million. All right? Now we view the aviation business a catastrophe line, and one that can hit you every day. So the consequence, we have a very conservative policy as far as what we put in as expected loss ratio, until we know that we do not have any big losses. Up to now, touchwood, the 2000 calendar year has been very good and there have not been any major catastrophes in what I would call high lively (indiscernible) markets. The only major wide body (indiscernible) was over Taiwan, and that is not going to cost the market that much. So, we are currently reserving that business at expected loss ratios, which are either near 100 or just below it. Okay. And we have ground risk, we have imbedded in our portfolio of products liability risk and other types of liability exposures, which are not linked to accidents, but the driver of our experience will be — we will call it the thing that you can read about in the paper tomorrow. If we come through the remainder of this year without any major wide body incidents in Western Europe or North America, you can expect to see a significant up list in profit out of the earned premium that was earned this year. Not reserved releases from the past this year. Okay?

THE CALLER:

I am sorry; you said \$300 million of gross premium. What is the net premium you got this year on the aviation portfolio?

COMPANY REPRESENTATIVE:

I do not really have it right now. Back in the envelope, I would guesstimate that it is probably in the \$250 million range. Okay? So, that is one thing that is going to be a driver. Another thing is that you know, we have a fairly substantial CAP book now, it is the winter storm season, I am not going to make any judgments on that. Year-to-date our experience including the 100 plus year event in Eastern Europe is actually within budget. So our budget — if we just meet budget, that means we would have for the CAP losses. You know we would still have earnings there. And then there's just the continued earning through (indiscernible) the business that was written in 2002 at better terms and it comes through stronger and stronger as you go through quarter to quarter. That is why I think the 4th quarter is going to be very strong. In spite of the reserve, additions that we still have to take in the Unites States, that we have signaled to you. With regards to (indiscernible) 2003 and basically we show a net investment income of 58.9 million in the 3rd quarter. (indiscernible) 60 million because it makes kind of the thought process kind of a little easier. 2003 assuming a (indiscernible) of 100, a break-even result coming out of life, basically 4 times 60 million is going to result in a net investment income of 240 million. You could add something to that basically and driven by the fact that our invested asset base is strongly growing, and then you have basically a — assuming no other income (indiscernible) have driven by the net investment without a profit before tax in the high 200 million area minus 25 percent of taxes, you can calculate basically with this very, very simplistic approach in net income for the Converium group, you know, in a very, very straight forward way.

THE CALLER:

That is assuming 100 combined.

COMPANY REPRESENTATIVE:

That is assuming 100 combines ratio for a (indiscernible) situation for life. Now given a reasonable growth of a normalized business in 2003, basically a combined ratio point below (indiscernible) from civilized — you know, to make it easy, 30 million (indiscernible) profit before tax.

THE CALLER:

Great. That is brilliant. Thank you. Just finally on the 4th quarter, are there any further material bond gains to come in the 4th quarter?

COMPANY REPRESENTATIVE:

There is a little bit of (indiscernible) and then we basically will complete the restructuring of the invested assets of the portfolio. That is going to be the magnitude of maybe 10, US\$12 million.

THE CALLER:

Great, thank you.

THE OPERATOR:

Mr. Hinley Verme (phonetic), from Sauopenhimme.

THE CALLER:

Hello, good morning Dirk. I would love to hear from you a commitment on a continued and regular basis reserve for you (indiscernible). And there are two reasons. I think Converium is the leader in some areas, for example auction expensing and other areas of transparency also. And particularly when you say that you are starting something a reserve addition exercise, which is going to affect the overall industry. And I think it is to your benefit if others are under pressure to have (indiscernible) opinions from (indiscernible) or competitive of (indiscernible). I think that would be very, very welcome. It must not be on quarterly basis, but manual basis would be very welcome. What I am seeing these days is that the insurance companies of this (indiscernible) and particularly in the US, they are asking for opinions from the auditors, from these independent actuaries, without publishing that they have been asking for these opinions. Which obviously allows them to publish these opinions if they are favorable, and to hold them on the — in closed documents when they are unfavorable. And therefore, I want these independent actuaries to have more power because if it is known that these exercises are being done, things will be very difficult for you and your peers to then keep the document closed if the outcome is negative. So, I would very much love to have from you a commitment to an annual public published fairness opinion on reserves from (indiscernible) or whomever.

COMPANY REPRESENTATIVE:

Hi. What I can tell you is that we did communicate that we would on a regular basis review segments of the company and we would also consult or use external parties to do that. It was not our expectation that we would be doing a review already in the 3rd quarter of 2002 following the IPO. But we are in that process right now because we are obviously responding an reacting proactively to the news that we are getting here. As far as what the future brings, I can say, you know, what your wishes are, there may also be some wishes coming from another corner; its call the SEC. There is a live discussion right now on requirements for additional disclosure, you may get even more than what you want. It may not be that —

everyone probably thinks fairness is opinion but (indiscernible), but you are going to see possibly more disclosure on the reserves and where they are set. Okay. We are definitely committed to being as open and transparent as possible in and setting a leadership in the industry with regards to this sort of thing. So I think we can commit to that. Whether it is going to be killing ass that we use when we do an external (indiscernible) or somebody else such as (indiscernible). I really would not want to commit to why we — one external reviewer on this because then they will know it and they will charge me more for it. I would like a competitive environment for that service as well.

THE CALLER:

I absolutely agree. I think it would be even (indiscernible) it would be welcome to have a for example a 3 or 5 year rotation period. But within this period, the external auditor should be stable. It must not be our (indiscernible), the auditor, as the actual area auditor must be sure that they are going to be paid for 3 or 5 years and after that, anyhow, they are going to lose the job at this company. And they may then 10 years later become again the auditor. But they must be completely independent, and I think particularly with your (indiscernible) in your countries, I mean you made the statement which I had a tendency to believe that you are just starting something — by the way they obviously have started already a thing about (indiscernible) American (indiscernible) and others. But if you are right that peers would have to follow, then it is in your interest to go ahead with a good example by giving this kind of independent and commitment to the external auditor.

COMPANY REPRESENTATIVE:

(indiscernible) some of our peers also basically did some reserve strengthening based on an actual (indiscernible) review of the reserve at the year-end 2001. (indiscernible) review of our reserves set for year end 2001 not taking basically this development that happened in the 2nd and 3rd quarter into consideration, would result in a very, very strong reserve level of Converium. So from this point of view you also have to carefully check basically what is stated and what was actually done with regards to the actual review of the overall reserve situation.

THE CALLER:

Thank you.

THE OPERATOR:

(CALLER INSTRUCTIONS). Mr. William Hawkins of Fox Pig Caultron.

THE CALLER:

Hi (indiscernible), just a quickie. In the PNC division, it looks like in Converium Zurich there was a rather large — of a negative item. Normally your other income is kind of zero. This time I think the total is about 25 to 24 million. I know I missed something in the footnotes, but could you give us any idea what that was please and if it is going to recur.

COMPANY REPRESENTATIVE:

This is also linked to the restructuring of the portfolio as a result of the (indiscernible) restructuring of the investment portfolio. We also realized some (indiscernible) losses and this is basically reflecting in offering from another loss.

THE CALLER:
(indiscernible).

COMPANY REPRESENTATIVE:
The capital is a currency.

THE CALLER:
All right, thanks.

COMPANY REPRESENTATIVE:
Setback, okay? Hopefully not recurring though.

THE CALLER:
Right.

COMPANY REPRESENTATIVE:
Okay, if there are no further questions then I would like to thank everyone for attending this conference call and I will look forward to seeing you then in the near future when we are (indiscernible). Thank you very much.

THE OPERATOR:
Ladies and gentlemen, you may disconnect now. (CONFERENCE CALL CONCLUDED).

ALL PRODUCTS AND SERVICES PROVIDED BY FDFN, INC. HEREUNDER, INCLUDING, BUT NOT LIMITED TO CALL TRANSCRIPTS, ARE PROVIDED "AS-IS" OR "AS AVAILABLE". EXCEPT AS EXPRESSLY STATED, FDFN HEREBY DISCLAIMS, AND YOU HEREBY WAIVE, ALL OTHER EXPRESS OR IMPLIED WARRANTIES, REGARDING THE CALL TRANSCRIPTS OR OTHER OF FDFN'S PRODUCTS PROVIDED HEREUNDER OR ANY PORTION THEREOF, INCLUDING BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES CREATED BY COURSE OF DEALING, COURSE OF PERFORMANCE, OR TRADE USAGE, AND ANY WARRANTIES OF NON-INFRINGEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, FDFN DOES NOT REPRESENT OR WARRANT THAT THE CALL TRANSCRIPTS WILL ALWAYS BE ACCURATE, COMPLETE, OR ERROR-FREE. THE FOREGOING EXCLUSIONS AND DISCLAIMERS ARE AN ESSENTIAL PART OF THE ORDER FOR THIS DOCUMENT AND FORMED THE BASIS FOR DETERMINING THE PRICE CHARGED FOR THE DOCUMENT.