

**CHARTER OF THE AUDIT COMMITTEE
OF
THE BOARD OF DIRECTORS
OF
ENDURANCE SPECIALTY HOLDINGS LTD.**

(ADOPTED AS OF NOVEMBER 9, 2012)

I. AUTHORITY

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of Endurance Specialty Holdings Ltd. (the "Company") is established pursuant to the Company's Bye-Laws. The members of the Committee shall be nominated by the Board and elected annually to one-year terms by majority vote of the Board at the first meeting of the Board to be held following the annual meeting of shareholders. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the independent directors then in office. The Chairman of the Committee shall be designated by the Board, *provided* that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman.

II. PURPOSE OF THE COMMITTEE

The Committee's purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company and its subsidiaries.

The Committee shall oversee the audit efforts of the Company's independent auditors and internal auditors and, in that regard, shall take such actions as it may deem necessary to satisfy itself that the Company's auditors are independent of management. It is the objective of the Committee to maintain free and open means of communications among the Board, the independent auditors, the internal auditors and the financial and senior management of the Company.

III. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the New York Stock Exchange (the "NYSE") and the Sarbanes - Oxley Act of 2002 (the "Act") and the rules and regulations promulgated by the Securities Exchange Commission (the "SEC") pursuant to the Act. Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Committee may receive from the Company; provided, however, that a member of the

Committee may also receive pension or other forms of deferred compensation from the Company for prior service so long as such compensation is not contingent in any way on continued service.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee. Any such determination must be disclosed in the Company's annual proxy statement.

Each member of the Committee must be "financially literate," as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee must have "accounting or related financial management expertise," as the Board interprets such qualification in its business judgment. Finally, either (i) at least one member of the Committee must be a "financial expert," as such term is defined in the rules and regulations promulgated by the SEC pursuant to the Act, or (ii) if no member of the Committee is a "financial expert," the Committee shall so inform the Company.

IV. MEETINGS OF THE COMMITTEE

The Committee shall meet with such frequency and at such intervals as it shall determine necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Committee shall meet at least annually with management, the head of the internal audit department and the Company's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. In addition, the Committee (or the Chairman) should meet or confer quarterly with the independent auditors and management to review the Company's periodic financial statements prior to their filing with the SEC. The Chairman should work with the Chief Financial Officer and management to establish the agendas for Committee meetings. The Committee, in its discretion, may also ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by which all persons participating in the meeting can hear one another shall constitute a quorum. All actions of the Committee will require the vote of a majority of its members present, as described in the preceding sentence, at a meeting of the Committee at which a quorum is present. The Committee shall maintain minutes of its meetings and records relating to those meetings, as well as records of the Committee's activities in carrying out its duties, and will provide copies of such minutes and records to the Board.

V. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions. The Committee should review and reassess, at least annually, the adequacy of the Committee's charter. The charter must specify: (1) the scope of the Committee's responsibilities and how it carries out those responsibilities, (2) the ultimate accountability of the Company's independent auditors to the shareholders, the Board and the Committee, (3) the responsibility of the Committee and the Board for the selection, evaluation and replacement of the Company's independent auditors, and (4) that the Committee is responsible for ensuring that the Company's independent auditors submit, on a periodic basis, a formal written statement to the Committee delineating all relationships between the independent auditors and the Company, stating that the Committee is responsible for actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and recommending that the Board or the shareholders, as the case may be, take appropriate action to ensure the independence of the independent auditors.

While there is no "blueprint" to be followed by the Committee in carrying out its duties and responsibilities, the following should be considered within the authority of the Committee:

Selection and Evaluation of Auditors

(a) Select, in its sole discretion, the firm of independent auditors to be recommended to the shareholders for appointment to audit the books and accounts of the Company for each fiscal year;

(b) Subject to the shareholders' statutory right to set the terms of the engagement, including setting the remuneration of the auditors and authorizing the Committee annually to act in its sole discretion to set the terms of the engagement, including setting the remuneration of the auditors, the Committee shall review and approve in advance the Company's independent auditors' annual engagement letter, including the proposed fees contained therein, as well as all audit and, as provided in the Act, all permitted non-audit engagements and relationships between the Company and such auditors (which approval should be made after receiving input from the Company's management). Approval of audit and permitted non-audit services may also be made by one or more members of the Committee as shall be designated by the Committee and the persons granting such approval shall report such approval to the Committee at the next scheduled meeting;

(c) Review the performance of the Company's independent auditors, including the lead partner of the independent auditors, and, in its sole discretion, make decisions regarding recommending to the shareholders the replacement or termination of the independent auditors when circumstances warrant;

(d) Obtain and review, at least annually, a report from the Company's independent auditors describing:

- (i) the independent auditors' internal quality-control procedures;
- (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and
- (iii) all relationships between the independent auditors and the Company (including a description of each category of services provided by the independent auditors to the Company and a list of the fees billed for each such category).

The Committee should present its conclusions with respect to the above matters to the Board, as well as its review of the lead partner of the independent auditors, and its views on whether there should be a regular rotation of the independent auditors.

(e) Oversee the independence of the Company's independent auditors by, among other things:

- (i) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence;
- (ii) ensuring that the lead audit partner and reviewing audit partner responsible for the audit of the Company's financials statements have not performed audit services for the Company for more than the previous five consecutive fiscal years of the Company;
- (iii) ensuring that the chief executive officer, controller, chief financial officer, chief accounting officer or other person serving in an equivalent position of the Company, was not, within one year prior to the initiation of the audit, an employee of an independent auditor who participated in any capacity in the Company's audit; and
- (iv) considering whether there should be a regular rotation of the Company's independent auditors.

(f) Instruct the Company's independent auditors that they are ultimately accountable to the Committee, the shareholders and the Board, and that the Committee is

responsible for the selection (subject to shareholder approval), evaluation and termination of the Company's independent auditors;

Oversight of Annual Audit and Quarterly Reviews

(g) Review and accept, if appropriate, the annual audit plan of the Company's independent auditors, including the scope of audit activities and all critical accounting policies and practices to be used, and monitor such plan's progress and results during the year;

(h) Review the results of the year-end audit of the Company, including any comments or recommendations of the Company's independent auditors;

(i) Review with management, the Company's independent auditors and, if appropriate, the director of the Company's internal audit department, the following:

- (i) the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any major issues related thereto;
- (ii) critical accounting policies and such other accounting policies of the Company as are deemed appropriate for review by the Committee prior to any interim or year-end filings with the SEC or other regulatory body, including any financial reporting issues which could have a material impact on the Company's financial statements;
- (iii) major issues regarding accounting principles and financial statements presentations, including, but not limited to (A) any significant changes in the Company's selection or application of accounting principles and (B) any analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the ramifications and effects of alternative generally accepted accounting principles methods on the Company's financial statements;
- (iv) all alternative treatments of financial information that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditors;
- (v) all other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences; and

- (vi) the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company.
- (j) Review, periodically, with the chief executive officer and chief financial officer and independent auditors the following:
 - (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditors;
 - (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls; and
 - (iii) any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
- (k) Attempt to resolve all disagreements between the Company's independent auditors and management regarding financial reporting;
- (l) Review, on a regular basis, with the Company's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. In connection therewith, the Committee should review with the independent auditors the following:
 - (i) any accounting adjustments that were noted or proposed by the independent auditors but were rejected by management (as immaterial or otherwise);
 - (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and
 - (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company.
- (m) Confirm that the Company's interim financial statements included in Quarterly Reports on Form 10-Q have been reviewed by the Company's independent auditors;

Oversight of Financial Reporting Process and Internal Controls

(n) Review the adequacy and effectiveness of the Company's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget and staffing of the Company's internal audit function, through inquiry and discussions with the Company's independent auditors and management of the Company;

(o) Review the annual report prepared by management, and attested to by the Company's independent auditors, assessing the effectiveness of the Company's internal control structure and procedures for financial reporting and stating management's responsibility to establish and maintain such structure and procedures, prior to its inclusion in the Company's annual report;

(p) Review with management the Company's administrative, operational and accounting internal controls, including any special audit steps adopted in light of the discovery of material control deficiencies, and evaluate whether the Company is operating in accordance with its prescribed policies, procedures and codes of conduct;

(q) Receive periodic reports from the Company's independent auditors and management of the Company to assess the impact on the Company of significant accounting or financial reporting developments that may have a bearing on the Company;

(r) Establish and maintain free and open means of communication between and among the Board, the Committee, the Company's independent auditors, the Company's internal audit department and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis;

(s) Review the Company's earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance provided by the Company to analysts and rating agencies (which review may be done generally (*i.e.*, discussion of the types of information to be disclosed and type of presentations to be made), and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance);

(t) Establish clear hiring policies by the Company for employees or former employees of the Company's independent auditors;

(u) Discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company's exposure to risk, as well as the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;

Oversight of Internal Audit

(v) Review and approve the mission statement & charter for the Company's internal audit department;

(w) Review the appointment, performance, compensation and replacement of the senior internal audit executive. The senior internal audit executive shall report directly to the Chairman of the Committee and administratively to the Chief Executive Officer;

(x) Review and approve the activities of the Company's internal audit department, including the proposed annual audit plan, periodic progress reports on the status of the plan, budget and staffing, summaries of any significant issues raised during the performance of internal audits, and any recommended changes in the planned scope of the internal audit function;

(y) Review the effectiveness of the internal audit department, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;

Other Matters

(z) Oversee the compliance of the Company's U.S. insurance company subsidiaries with the requirements of the Annual Financial Reporting Model Regulation (the "Model Audit Rule") promulgated by the National Association of Insurance Commissioners and adopted by the U.S. states in which the Company's U.S. insurance company subsidiaries are domiciled, to the extent such requirements are applicable to the U.S. insurance company subsidiaries of the Company, as a "SOX Compliant Entity" (as such term is defined in the Model Audit Rule);

(aa) Review the material inter-company transactions, including any inter-company investment, lending, borrowing, reinsurance, guarantee and pooling arrangements, between and amongst the Company and its subsidiaries;

(bb) Meet at least annually with the general counsel, and outside counsel when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Company;

(cc) Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement;

(dd) Review the Company's policies relating to the avoidance of conflicts of interest and review past or proposed transactions between the Company and members of management as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Company's independent auditors;

(ee) Obtain from the independent auditors any information pursuant to Section 10A of the Securities Exchange Act of 1934;

(ff) Review any engagement of, or relationship between, the Company or any of its subsidiaries and Deloitte, Ernst & Young, KPMG or PricewaterhouseCoopers, or any successor thereto, that would cause any such firm, to the extent not currently acting as the Company's independent auditor, to not be independent of the Company under Rule 2-01 of Regulation S-X under the Securities Exchange Act of 1934, as amended, or the requirements of the New York Stock Exchange, in the event such firm were to become the Company's auditor;

(gg) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(hh) Secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Company;

(ii) Report regularly, as appropriate, to the Board on its activities. In connection therewith, the Committee should review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function;

(jj) Prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this charter, and set forth the goals and objectives of the Committee for the upcoming year. The evaluation should include a review and assessment of the adequacy of the Committee's charter. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairman of the Committee or any other member of the Committee designated by the Committee to make this report; and

(kk) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

With respect to the duties and responsibilities listed above, the Committee should:

1. Report regularly to the Board on its activities, as appropriate;

2. Exercise reasonable diligence in gathering and considering all material information;
3. Understand and weigh alternative courses of conduct that may be available;
4. Focus on weighing the benefit versus harm to the Company and its shareholders when considering alternative recommendations or courses of action;
5. If the Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Committee in fulfilling its duties and responsibilities; and
6. Provide management, the Company's independent auditors and internal auditors with appropriate opportunities to meet privately with the Committee.

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While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Company complies with all laws and regulations, its Code of Business Conduct and Ethics or its Corporate Governance Guidelines.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) statements made by management or third parties as to any information technology, internal audit and other non-audit services provided by the auditors to the Company.
