# Endurance Specialty Holdings

Investor Presentation
December 31, 2012

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# Forward looking statements & regulation G disclaimer

Safe Harbor for Forward Looking Statements

Some of the statements in this presentation may include forward-looking statements which reflect our current views with respect to future events and financial performance. Such statements include forward-looking statements both with respect to us in general and the insurance and reinsurance sectors specifically, both as to underwriting and investment matters. Statements which include the words "should","expect," "intend," "plan," "believe," "project," "anticipate," "seek," "will," and similar statements of a future or forward-looking nature identify forward-looking statements in this presentation for purposes of the U.S. federal securities laws or otherwise. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the Private Securities Litigation Reform Act of 1995.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or may be important factors that could cause actual results to differ from those indicated in the forward-looking statements. These factors include, but are not limited to, the effects of competitors' pricing policies, greater frequency or severity of claims and loss activity, changes in market conditions in the agriculture insurance industry, termination of or changes in the terms of the U.S. multiple peril crop insurance program, a decreased demand for property and casualty insurance or reinsurance, changes in the availability, cost or quality of reinsurance or retrocessional coverage, our inability to renew business previously underwritten or acquired, our inability to maintain our applicable financial strength ratings, our inability to effectively integrate acquired operations, uncertainties in our reserving process, changes to our tax status, changes in insurance regulations, reduced acceptance of our existing or new products and services, a loss of business from and credit risk related to our broker counterparties, assessments for high risk or otherwise uninsured individuals, possible terrorism or the outbreak of war, a loss of key personnel, political conditions, changes in insurance regulation, changes in accounting policies, our investment performance, the valuation of our invested assets, a breach of our investment guidelines, the unavailability of capital in the future, developments in the world's financial and capital markets and our access to such markets, government intervention in the insurance and reinsurance industry, illiquidity in the credit markets, changes in general economic conditions and other factors described in our most recently filed Annual Report on Form 10-K .

Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation publicly to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Regulation G Disclaimer

In presenting the Company's results, management has included and discussed certain non-GAAP measures. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain the Company's results of operations in a manner that allows for a more complete understanding of the underlying trends in the Company's business. However, these measures should not be viewed as a substitute for those determined in accordance with GAAP. For a complete description of non-GAAP measures and reconciliations, please review the Investor Financial Supplement on our web site at www.endurance.bm.

The combined ratio is the sum of the loss, acquisition expense and general and administrative expense ratios. Endurance presents the combined ratio as a measure that is commonly recognized as a standard of performance by investors, analysts, rating agencies and other users of its financial information. The combined ratio, excluding prior year net loss reserve development, enables investors, analysts, rating agencies and other users of its financial information to more easily analyze Endurance's results of underwriting activities in a manner similar to how management analyzes Endurance's underlying business performance. The combined ratio, excluding prior year net loss reserve development, should not be viewed as a substitute for the combined ratio.

Net premiums written is a non-GAAP internal performance measure used by Endurance in the management of its operations. Net premiums written represents net premiums written and deposit premiums, which are premiums on contracts that are deemed as either transferring only significant timing risk or transferring only significant underwriting risk and thus are required to be accounted for under GAAP as deposits. Endurance believes these amounts are significant to its business and underwriting process and excluding them distorts the analysis of its premium trends. In addition to presenting gross premiums written determined in accordance with GAAP, Endurance believes that net premiums written enables investors, analysts, rating agencies and other users of its financial information to more easily analyze Endurance's results of underwriting activities in a manner similar to how management analyzes Endurance's underlying business performance. Net premiums written should not be viewed as a substitute for gross premiums written determined in accordance with GAAP.

Return on Average Equity (ROAE) is comprised using the average common equity calculated as the arithmetic average of the beginning and ending common equity balances for stated periods. Return on Beginning Equity (ROBE) is comprised using the beginning common equity for stated periods. The Company presents various measures of Return on Equity that are commonly recognized as a standard of performance by investors, analysts, rating agencies and other users of its financial information.

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# Introduction to Endurance Specialty Holdings

(Re)insurance company focused on diversified portfolio of businesses within specialty niches

## Diversified Portfolio of Businesses

- Balance between insurance and reinsurance segments
- Maintain strong equilibrium of specialty, property and casualty exposures
- Track record of opportunistically entering and exiting businesses to achieve strong returns

## Strong Balance Sheet

- "A" ratings from AM Best, S&P and Moody's
- $3.2 billion of total capital
- Conservative, short-duration, AA rated investment portfolio
- Prudent reserves that have historically been a source of value

## Capital Management History

- Returned $1.95 billion to investors through dividends and share repurchases
  - Represents 79.0% of inception to date net income available to common shareholders
- Maintain a diversified, efficient capital structure

**We have built a strong franchise in our first eleven years of operation**

- **Inception to date operating ROE of 10.9%**
- **10 year book value per share plus dividends CAGR of 11.1%**

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# Diversified Portfolio of Businesses

## Portfolio diversified by product, distribution source and geography

Twelve Months Net Premiums Written as of December 31, 2012: $2.0 BN

### Insurance

Independent Agents
- ARMtech Agriculture

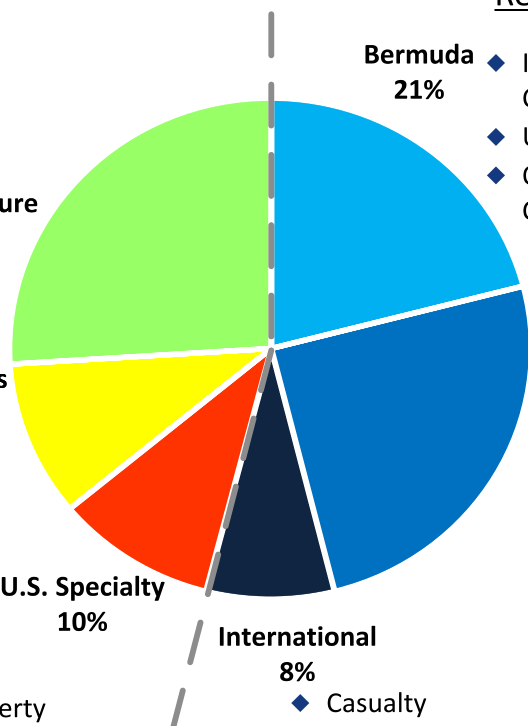
**Agriculture 27%**

**Global Excess 10%**

Brokers – Bermuda/U.S.
- Healthcare
- Excess Casualty
- Professional Lines

**U.S. Specialty 10%**

Wholesale
- US Property
- US Casualty
- US Miscellaneous E&O

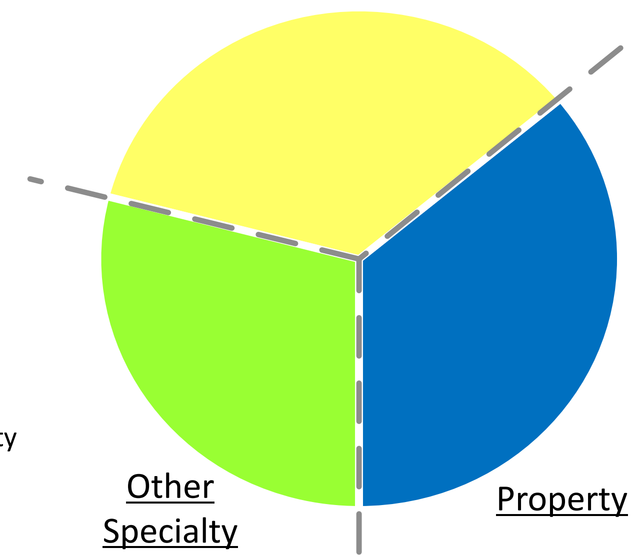


### Reinsurance

**Bermuda 21%**
- International Property Catastrophe
- US Property Catastrophe
- Other Specialty (Aviation, Clash)

**North America 24%**
- Casualty
- Professional Liability
- Property Per Risk
- Small Business
- Surety

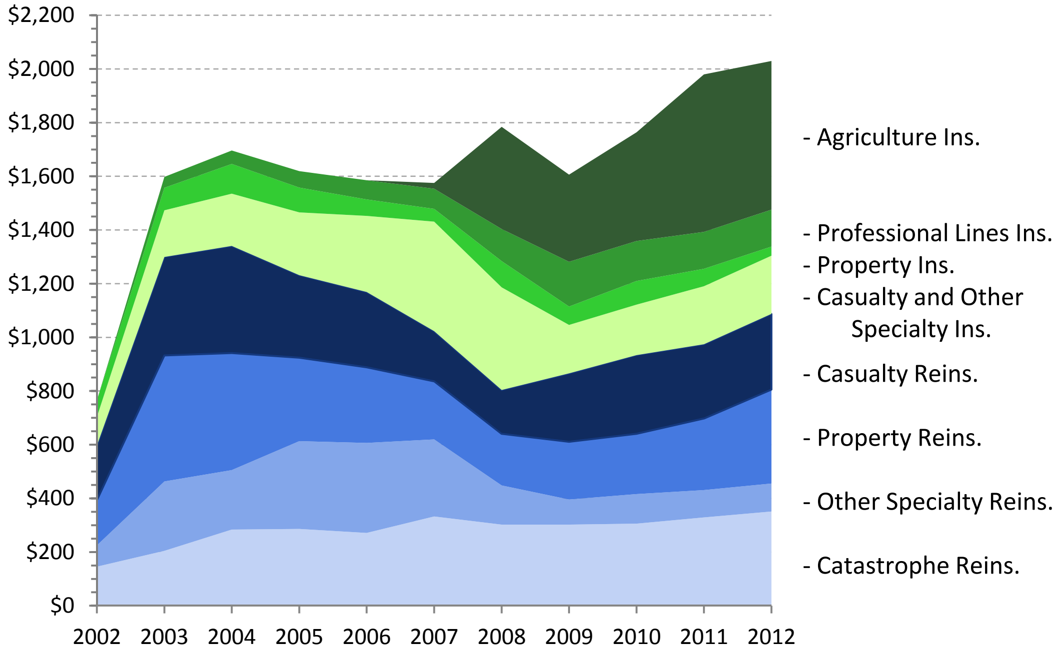
**International 8%**
- Casualty
- Professional Lines
- Property
- Marine
- Trade Credit/Surety



# Insurance and Reinsurance Portfolio Management

## Portfolio has been actively managed to achieve growth while managing cycle

### Net Written Premiums




### Managing Our Portfolio

- Businesses have expanded and contracted over time as we have opportunistically managed through various market conditions.
- Core franchise positions in both segments provide solid base from which to grow and our diversified portfolio enables active portfolio management and capital reallocation.
- Strategic priorities include expanding product offerings in US insurance, organically growing and diversifying crop insurance business, adding specialty reinsurance product capabilities and attracting outside capital support for catastrophe business.
- Recent capabilities added include trade credit and surety reinsurance, inland marine insurance and weather.

Current market conditions are improving in both segments, with small account E&S casualty insurance, catastrophe reinsurance and property reinsurance all showing rate improvements. Casualty reinsurance conditions have stabilized and primary rate increases are beginning to cycle through portfolio.

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# We Are Actively Expanding Our Specialty Insurance Portfolio

## Premiums are generated through clients with varying sizes and across diverse distribution channels

### Agriculture

- Multi Peril Crop Insurance (MPCI) product that is offered across the United States through independent agents
- Policy count has grown 39.2% over the past five years as we have leveraged excellent service and industry leading technology
- Continue to expand and diversify the portfolio and gain market share
- Utilize Federal crop insurance program to provide risk mitigation in loss scenarios

### Global Excess

- Severity focused insurance products (Healthcare, Excess Casualty, and Professional Lines) underwritten in Bermuda and the U.S. through brokers
- Portfolio has become more balanced between the U.S. and Bermuda as smaller account business in the U.S. has grown
- Expanded in the United States through addition of underwriting expertise and leveraging current team

### U.S. Specialty

- Specialty E&S products written in the U.S. with a focus on smaller account sized business marketed through the wholesale channel
- We have been actively re-balancing the portfolio to improve the potential profitability of the book of business
- Investing in teams and technology to enhance systems and to expand specialty expertise as we seek greater scale in this business

Our Insurance portfolio consists of diverse risks that are generated through independent agents, large brokers and the wholesale channel. Our focus is to continue to add underwriting expertise to expand our operations.

# Global Reinsurance Platform Supports Diverse Markets

## Reinsurance product offering is diversified both geographically and by nature of risk

### Bermuda

- Global business focused on high severity, low frequency risks that predominantly includes catastrophe, aviation, clash and political risk
- Our portfolio of business has generated a 75% combined ratio since inception despite numerous significant catastrophic events
- Continue to invest in people, analytics, and technology to maximize risk adjusted returns and attract outside capital support

### North America

- Business is focused on frequency oriented property, casualty and specialty risks and is supported by strong relationships with clients and disciplined due diligence approach to underwriting
- Business mix has shifted to be more heavily weighted in property lines as recent pricing has been stronger than experienced in casualty exposures
- Scalable operating model with strong market cycle discipline

### International

- Global business that serves international clients from offices in London (UK), Zurich (Continental Europe) and Singapore (Australasia)
- Experienced significant growth since 2009 following the opening of the Zurich and Singapore offices
- Continue to add underwriting expertise to expand our product offering
  - Added trade credit and surety, and engineering teams in late 2012

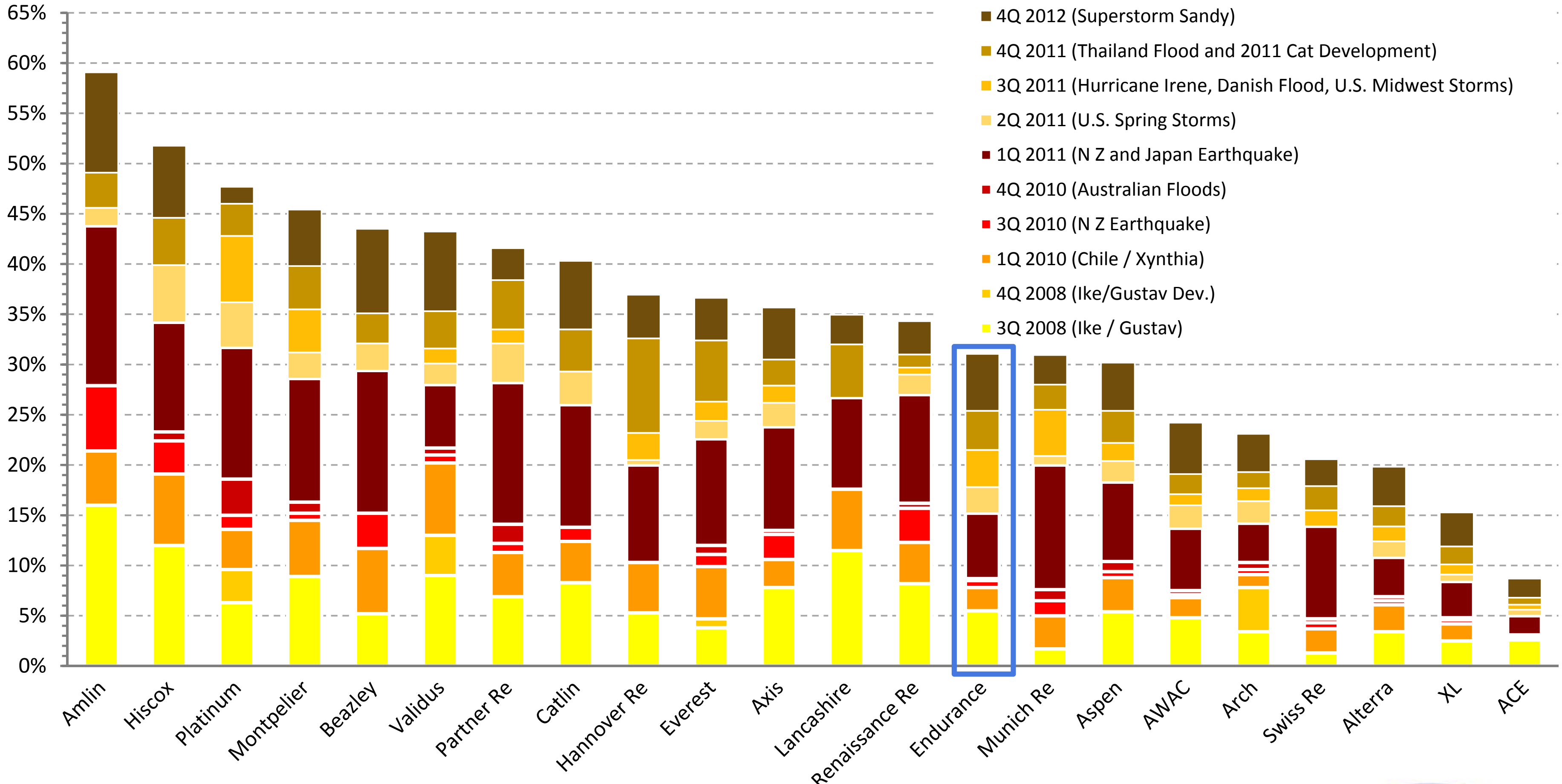
While our reinsurance operations consist of global risks that are underwritten from many offices, we manage risks at an aggregate level and jointly market global customers. Our reinsurance operations are scalable and can grow significantly in a hard market.

# Endurance is World Class at Risk Management

## Endurance has performed well versus peers in recent large catastrophe events

### Five Year Catastrophe Losses versus Shareholder Equity

From December 31, 2006 – December 31, 2012




Note: Catastrophe loss values were obtained through publicly released information and company transcripts for each quarter and include current quarter losses as well as announced loss reserve development associated with prior quarter catastrophe losses. Catastrophe losses are compared with starting Total Shareholder Equity for each loss quarter.

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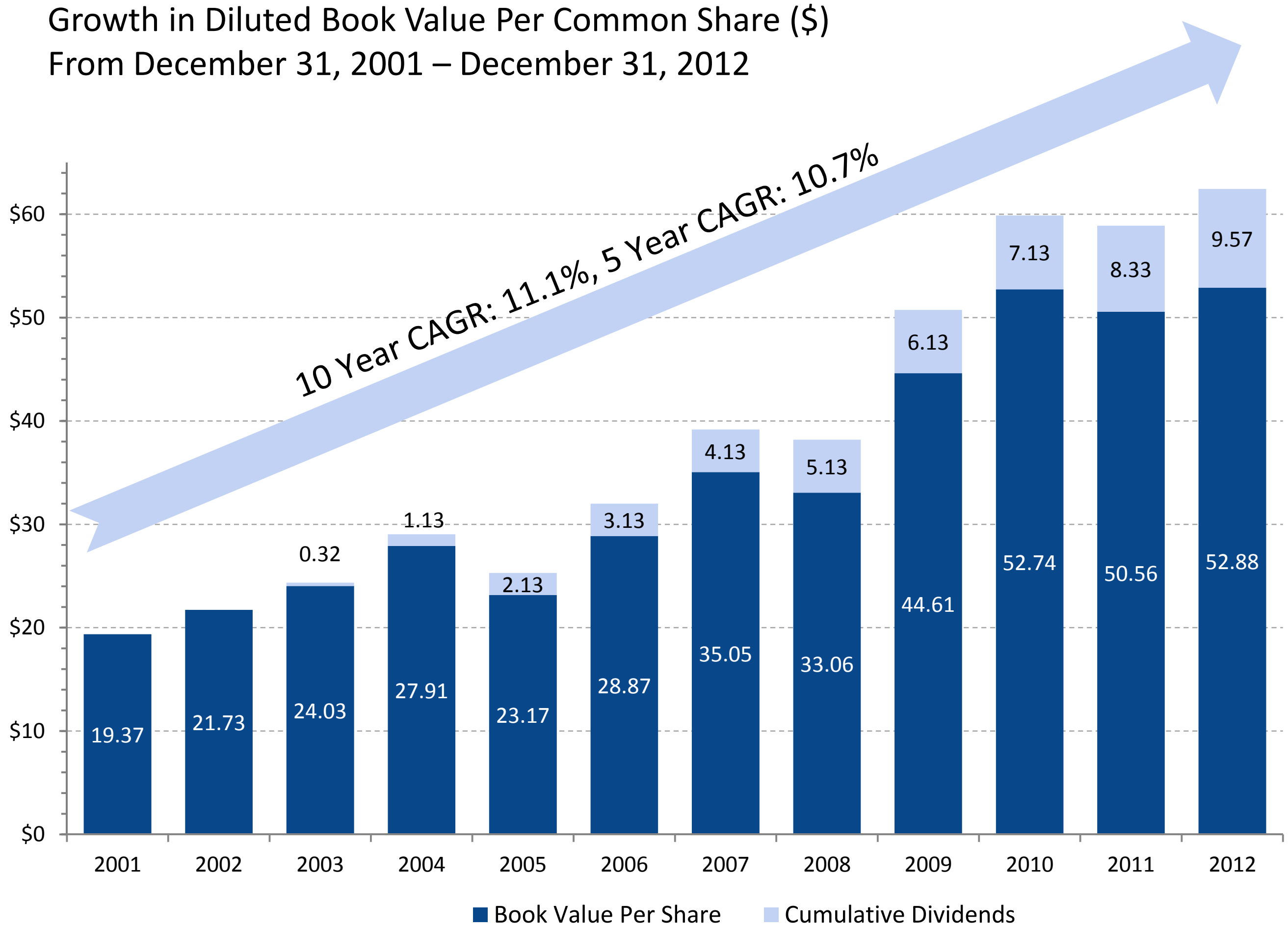
# Endurance's Financial Results

## Diluted book value per common share has grown strongly in absolute terms…

Growth in Diluted Book Value Per Common Share ($)
From December 31, 2001 – December 31, 2012




**Significant Impacts to Book Value**

- 2005 – Hurricanes Katrina, Rita and Wilma
- 2008 – Credit crisis and related impact of marking assets to market
- 2011 – High frequency of global catastrophes (Earthquakes impacting New Zealand and Japan, Hurricane Irene, Texas wildfires, Thailand and Australian Floods, Danish Cloudburst, and a record level of tornadoes in the United States)
- 2012 – Superstorm Sandy and severe Midwest drought

Note: Diluted Book Value Per Share calculated on weighted number of average diluted shares outstanding.

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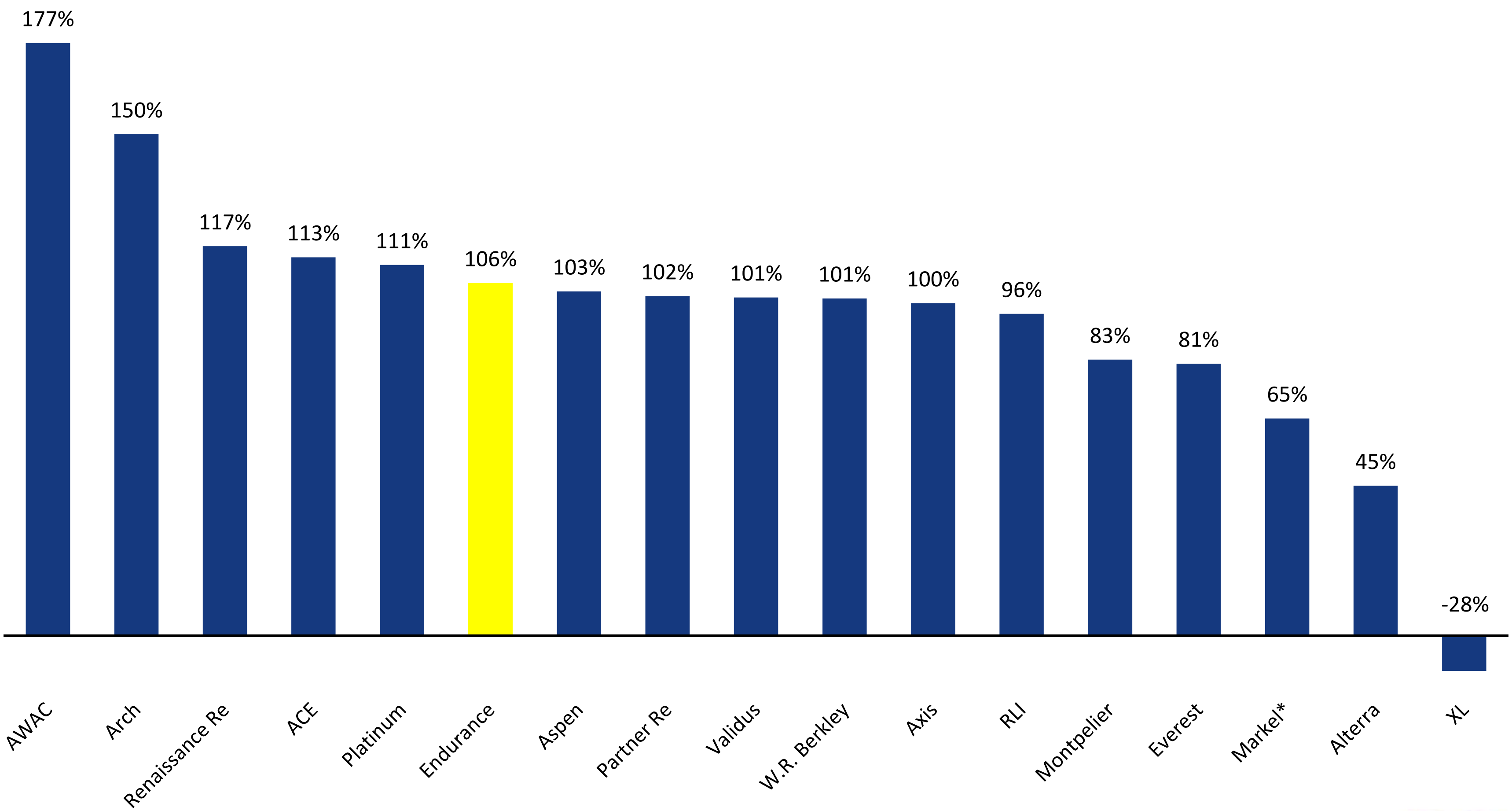
# Endurance's Financial Results

## Book value per common share growth compares favorably to peers

Diluted Book Value Per Share Plus Dividend Growth

From December 31, 2006 – December 31, 2012




Note: Fully Diluted Book value per share and dividend data provided by company press releases and filings. For those companies that do not disclose fully diluted book value per share, the dilution was calculated using average diluted shares outstanding.

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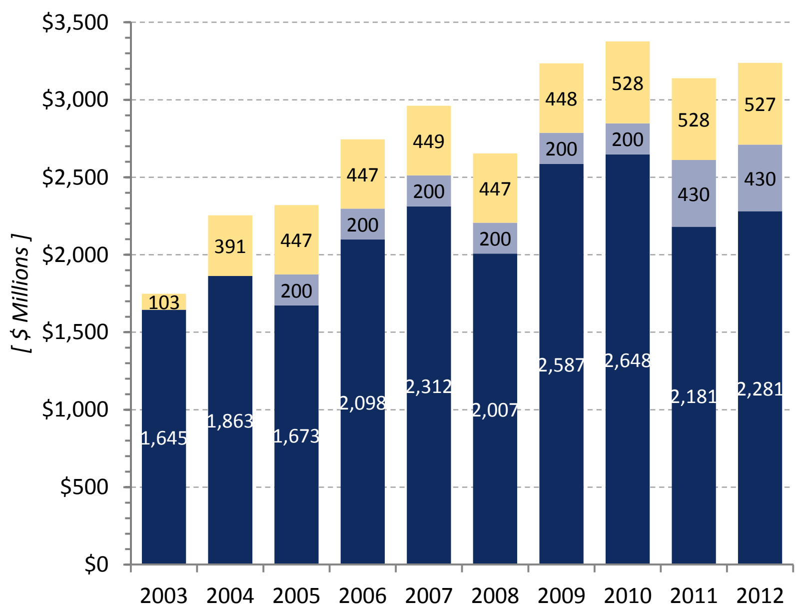
# Growing Capital Base while returning Capital to Investors

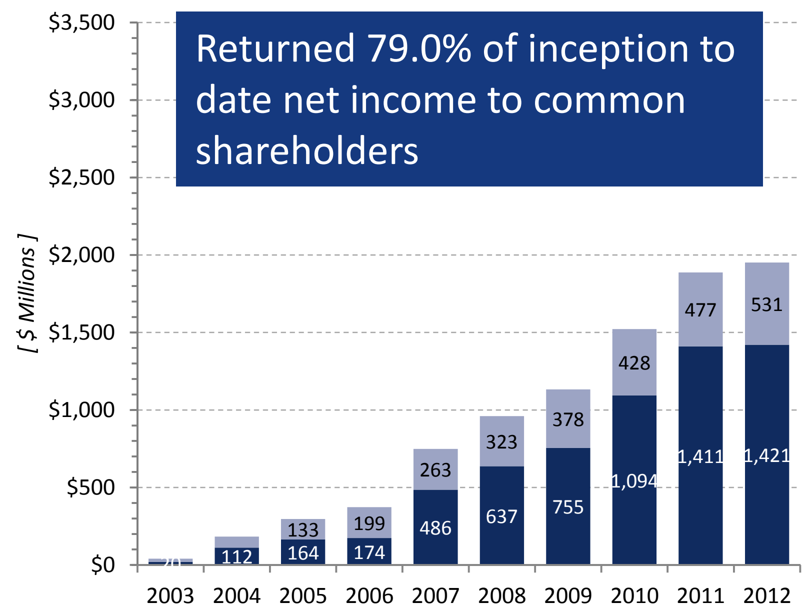
## Diluted shares outstanding have been reduced by approximately 35% over the last five years

Endurance has a Diversified and Growing Capital Base




■ Common Equity ■ Preferred Equity ■ Debt

$1.95 Billion of Capital Cumulatively Returned to Shareholders




■ Cumulative Share Repurchases ■ Cumulative Dividends

Endurance has proven its ability to generate capital which has allowed for the return to its shareholders of $1.95 billion through share repurchases and dividends while also supporting organic growth. Current capital levels exceed rating agency minimum levels allowing for the possibility of opportunistic growth in the event that markets harden.

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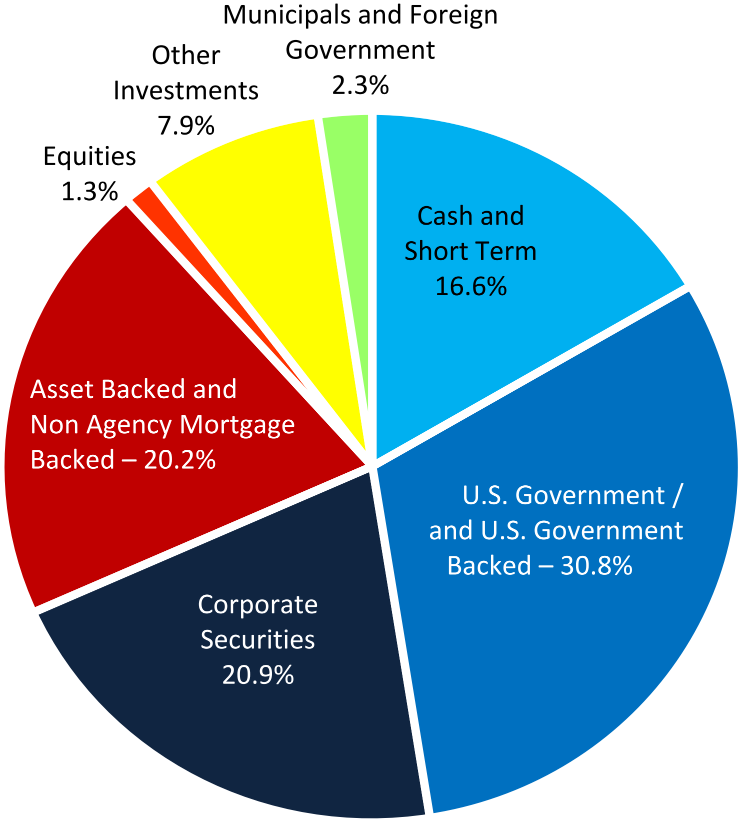
# Strong Balance Sheet

## Endurance maintains a high quality, short duration investment portfolio

<u>$6.6 B Investment Portfolio at December 31, 2012</u>




### Investment Portfolio Highlights

- Fixed maturity portfolio duration remains short at 2.5 years
- Investment quality (AA average) has remained high as the portfolio is conservatively managed in a challenging economy
  - 47.4% of investments are cash/short term or US backed
  - No direct exposure to sovereign debt or bank debt of European peripheral countries
- Recently increased allocations to equities and alternatives to diversify portfolio and reduce interest rate risk
- Other investments of $517.5 million consist of alternative funds (72.0%) and specialty funds (28.0%)
  - Alternative funds include hedge funds and private equity funds
  - Specialty funds include high yield loan and convertible debt funds
  - Endurance's other investments' returns have significantly outperformed S&P 500 with half the volatility

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# Conclusion

## Endurance is a compelling investment opportunity

- Strategically managing our businesses
  - Hired Jack Kuhn as CEO of insurance operations to guide continued addition of specialty expertise
  - Added specialty reinsurance and insurance teams including trade credit and surety, engineering, weather and inland marine
  - Re-engineering or exiting underperforming businesses
- Maintain excellent balance sheet strength and liquidity
  - High quality, short duration investment portfolio; fixed maturity investments have an average credit quality of AA
  - Prudent reserving philosophy and strong reserve position; strong history of favorable development
  - Capital levels exceed rating agency minimums providing flexibility to grow
  - Efficient capital management
    - Reduced diluted shares outstanding by approximately 35% in the last five years
- The outlook for Endurance's book of business remains attractive
  - Experiencing improved pricing across most of our lines of business
  - Catastrophe lines have remained disciplined and profitable and market conditions are improving
  - Small account casualty insurance lines are experiencing rate increases
  - Expanded leadership and added specialty capabilities enhance positioning

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# Appendix

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# Overview of ARMtech

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# Overview of ARMtech

## Acquisition of ARMtech has been a great success for Endurance

- Multi Peril Crop Insurance (MPCI) is an insurance product regulated by the USDA that provides farmers with yield or revenue protection
  - Offered by 17 licensed companies
  - Pricing is set by the government and agent compensation is capped- no pricing cycle exists
  - Reduced downside risks due to Federally sponsored reinsurance and loss sharing
  - Agriculture insurance provides strong return potential, diversification in Endurance's portfolio of (re)insurance risks and is an efficient user of capital
- ARMtech is a leading specialty crop insurance business
  - Approximate 7% market share (with 159,00 policies in force) and is 5$^{th}$ largest of 17 industry participants
  - MPCI 2012 crop year* gross written premiums of $820 million
  - Portfolio is well diversified by geography and by crop
- ARMtech was founded by software developers and has maintained a strong focus on providing industry leading service through leveraging technology
- Endurance purchased ARMtech in December 2007 at a purchase price of approximately $125 million
  - Since the acquisition, ARMtech has generated in excess of $107 million in operating profit for Endurance
  - ARMtech has grown MPCI policy count by 29.8% since 2007

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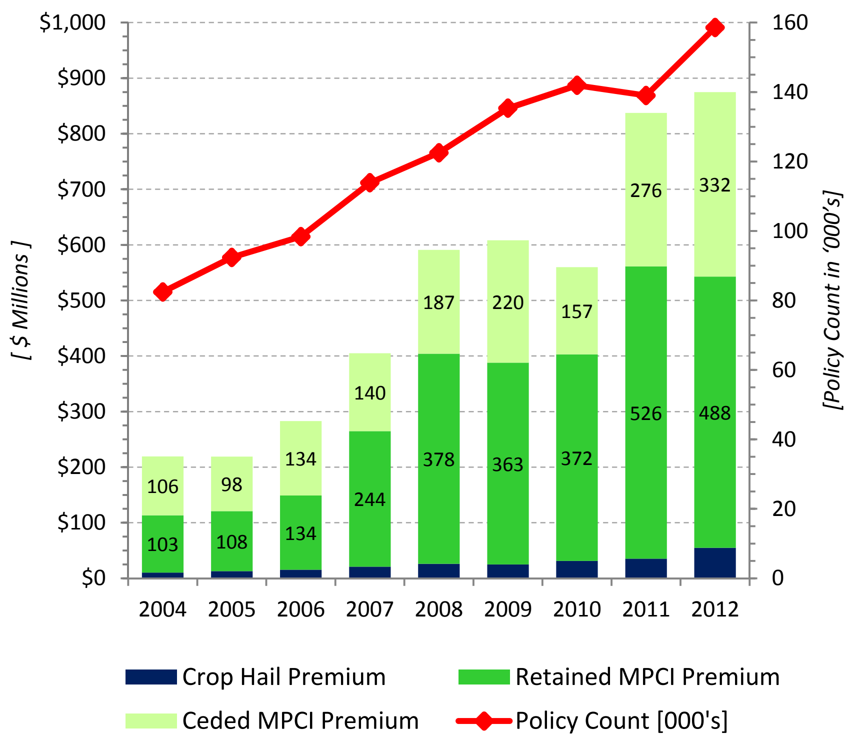
* 2012 crop year is defined as July 1, 2011 through June 30, 2012

# ARMtech is a Leader in the Crop Insurance Space

## ARMtech's focus on technology and service has allowed it to steadily grow its business

Written Premiums and Policy Counts by Crop Year




Using technology and service to expand premiums

- ARMtech has built a market leading specialty crop insurance business through its focus on offering excellent service supported by industry leading technology.
- Policy count has grown 39.2% over the past five years in a line of business not subject to the property/casualty pricing cycle.
- ARMtech is a leader in using technology to deliver high quality service and to satisfy the very intense compliance and documentation standards imposed on the industry by the U.S. Federal Government.
- ARMtech has generated strong underwriting profits since inception.

ARMtech has demonstrated its ability to grow market share and premiums over time through its leading edge technology and superior delivery of service and compliance.

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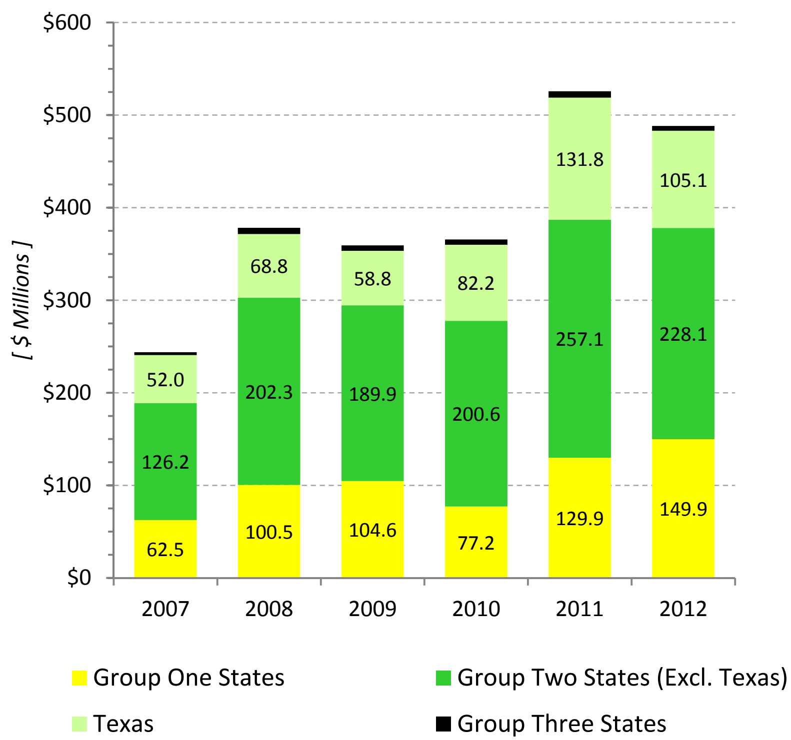
# ARMtech is Increasing Market Share and Geographic Diversification

## 2012 was a very strong marketing year for ARMtech

MPCI Net Written Premiums by Crop Year and State Grouping*




Estimated 2012 Net Written Crop Year Premiums

- 2012 crop year MPCI net written premiums of $488.2 million were 6.7% lower than crop year 2011
  - Commodity prices on corn, cotton and soybeans declined from prior year
  - Decline of 20.3% in Texas due to higher cessions
  - Declines partially offset by growth from geographically diverse states as technology and service is attracting new customers and agents
- The portfolio of crop risk is more balanced in 2012 through greater crop and geographic diversification and through greater cessions in Texas (cotton concentration)

ARMtech continues to focus on diversifying its business geographically while managing its exposure to Texas through active use of available reinsurance protections.

* Group One States – IL, IN, IA, MN, NE
Group Two States – States other than Group One and Group Three states
Group Three States – CT, DE, MA, MD, NV, NH, NJ, NY, PA, UT, WY

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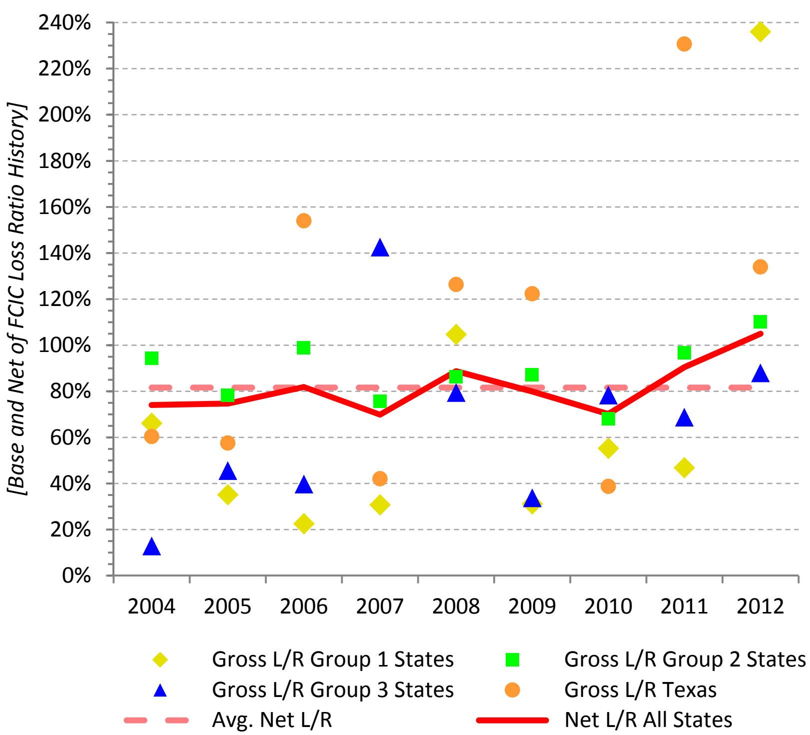
# Agriculture Insurance is Not Correlated with the P&C Cycle

## FCIC reinsurance lowers volatility

Historic MPCI Loss Ratio Results – Pre and Post Federal Retrocessions




### Stable Results in Volatile Times

- While individual states can produce large loss ratios, the U.S. Federal reinsurance program has historically reduced loss ratio volatility.
- ARMtech's business has historically produced stable profits over time after reflecting the reinsurance terms set out in the current standard crop reinsurance agreement
  - Historic average loss ratio post U.S. Federal cessions has been 81.6% [adjusted for the 2011 Federal reinsurance terms]
  - The best year was 2007 with a 69.8% net loss ratio and the worst was 2012 with a 105.0% net MPCI loss ratio
  - ARMtech's current expense run rate after the A&O subsidy is approximately 6% - 8%

While individual states can produce highly varied gross loss ratios on a year to year basis, the U.S. Federal reinsurance program has historically mitigated that volatility and leaves ARMtech with a business which is not correlated to the traditional P&C pricing cycle and has high risk adjusted return potential.

# Overview of ARMtech

## ARMtech's recognition of premiums and earnings are influenced by growing seasons

### Seasonality of MPCI Business

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Recognition of annual written premiums | 60% - 65%<br>Spring crops | 10% - 15%<br>Spring crop adjustments due to actual cessions | 20% - 25%<br>Spring crop report adjustments<br>Winter crops | 5% - 10%<br>Winter crop adjustments |
| Recognition of annual earned premiums | 10%-15%<br>Largely driven by winter crops | 25% - 30%<br>Driven by spring crops and winter crops | 30% - 35%<br>Largely driven by spring crops | 25% - 30%<br>Largely driven by spring crops |
| Commodity price setting | Setting of base prices for spring crops (forward commodity price for fourth quarter) | Harvest price determined for winter crops | Setting of base prices for winter crops (forward commodity price for second quarter) | Harvest price determined for spring crops |
| Harvest | | Harvest of winter crops | | Harvest of spring crops |

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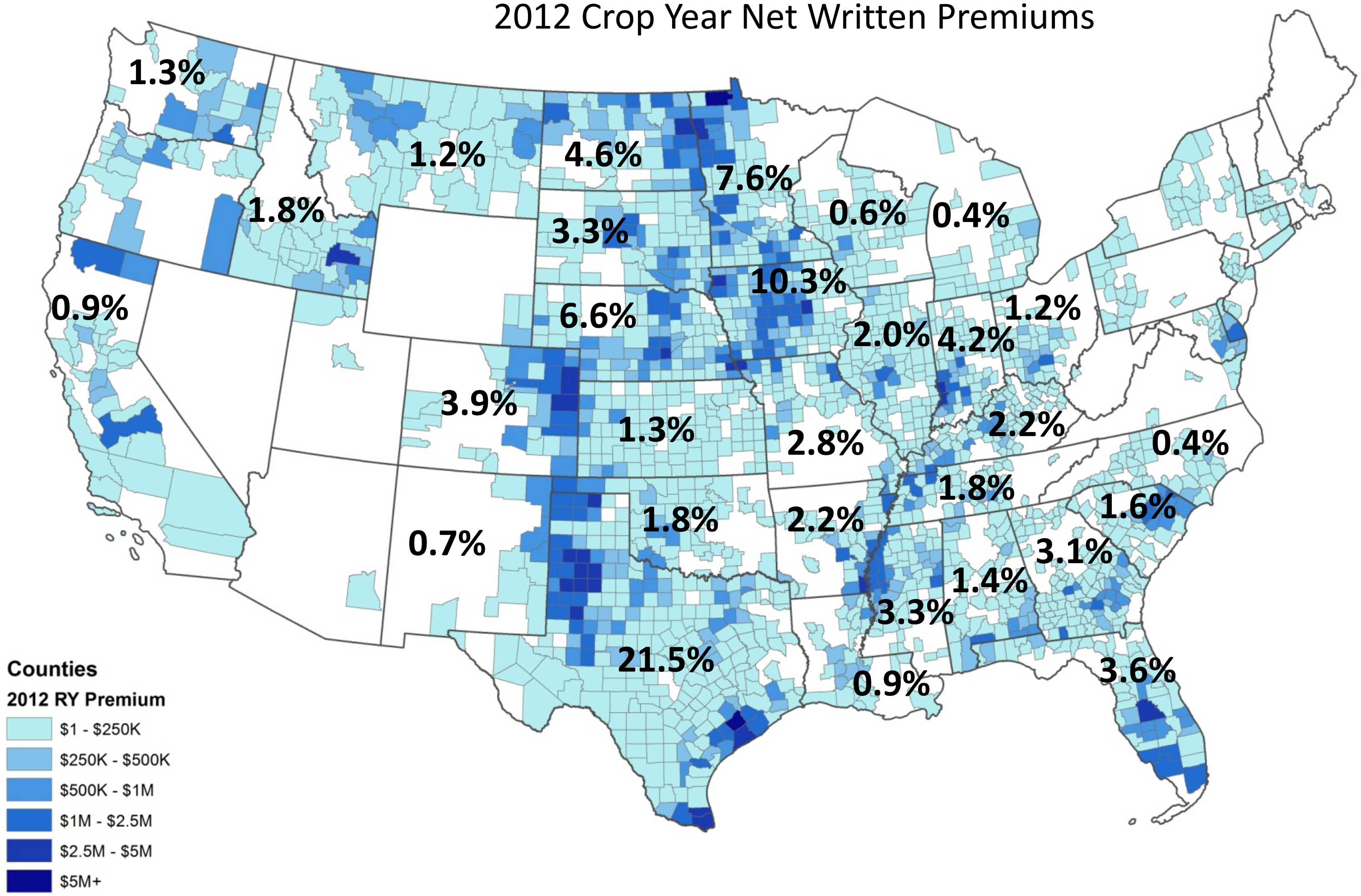
# Geographic Diversification of Crop Insurance Business

## ARMtech maintains a geographically diversified portfolio of risk

2012 Crop Year Net Written Premiums

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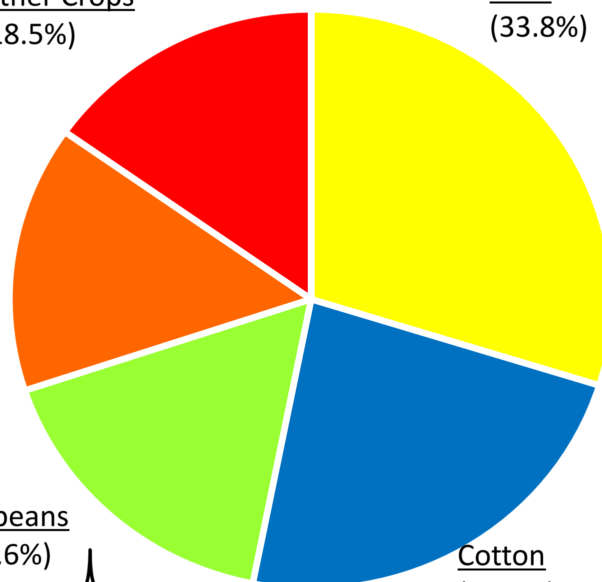
# Diversification of Crops Within ARMtech's Portfolio

## Underwritten risks diversified by geography and commodity type

### ARMtech's 2012 Crop Year MPCI Net Written Premiums




**Other Crops (18.5%)**

- Citrus, Nursery & Orange Trees - 3.4%
- Grain Sorghum – 3.0%
- Peanuts – 1.6%
- Barley – 1.2%
- Potatoes – 1.1%
- Pasture, Rangeland, Forage – 0.9%
- Apples – 0.8%
- Rice – 0.7%
- All other crops – 5.8%

**Corn (33.8%)**

- Iowa – 7.1%
- Nebraska – 4.6%
- Minnesota – 3.4%
- Texas – 2.7%
- Indiana – 2.6%
- South Dakota – 1.6%
- Illinois – 1.5%
- Colorado – 1.5%
- Missouri – 1.5%
- North Dakota – 1.3%
- Kentucky – 1.0%
- Tennessee – 0.7%
- Mississippi – 0.6%
- All other states – 3.7%

**Wheat (13.0%)**

- Texas – 2.4%
- Colorado – 1.8%
- North Dakota – 1.1%
- Idaho – 1.1%
- Minnesota – 0.9%
- Montana – 0.9%
- South Dakota – 0.8%
- Oklahoma – 0.7%
- All other states – 3.3%

**Soybeans (18.6%)**

- Iowa – 3.1%
- Minnesota – 2.4%
- Nebraska – 1.7%
- Mississippi – 1.5%
- Indiana –1.5%
- Missouri – 1.1%
- Arkansas – 1.0%
- North Dakota – 1.0%
- Kentucky – 0.8%
- All other states – 4.5%

**Cotton (16.1%)**

- Texas – 11.5%
- Georgia – 1.4%
- Mississippi – 0.7%
- Alabama – 0.7%
- South Carolina – 0.5%
- All other states – 1.3%

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# Agriculture Insurance Contains Three Layers of Risk Mitigation

Farmers retention, ceding premiums to the U.S. Federal Government and limitations on losses and gains

**2012 Crop Year Gross Liability**

70.2% of risk retained by ARMtech

29.8% of first dollar risk retained by farmers

## 40.5% of MPCI Premiums Ceded to U.S. Federal Government

**Assigned Risk Fund** — *"Higher Risk Policies"*

**Commercial Fund** — *"Lower Risk Policies"*

**Loss Sharing**
*(% of loss retained by ARMtech within each applicable band when the loss raio is above 100%.)*

| Assigned Risk Fund: Loss Ratio | Assigned Risk Fund | Commercial Fund: Loss Ratio | Group 1 States | Group 2 & 3 States |
|---|---|---|---|---|
| 100 - 160 | 7.5% | 100 - 160 | 65.0% | 42.5% |
| 160 - 220 | 6.0% | 160 - 220 | 45.0% | 20.0% |
| 220 - 500 | 3.0% | 220 - 500 | 10.0% | 5.0% |

**Gain Sharing**
*(% of gain retained by ARMtech within each applicable band when the loss raio is below 100%.)*

| Assigned Risk Fund: Loss Ratio | Assigned Risk Fund | Commercial Fund: Loss Ratio | Group 1 States | Group 2 & 3 States |
|---|---|---|---|---|
| 65 - 100 | 22.5% | 65 - 100 | 75.0% | 97.5% |
| 50 - 65 | 13.5% | 50 - 65 | 40.0% | 40.0% |
| 0 - 50 | 3.0% | 0 - 50 | 5.0% | 5.0% |

14.2% of 2012 Crop Year NWP

85.8% of 2012 Crop Year NWP

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# ARMtech Has Grown Market Share Over Time

## Superior service and technology has driven growth in stable market

| MPCI Certified Companies (Owners) | Crop Year Market Share 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | % Change in Market Share 2007 - 2012 |
|---|---|---|---|---|---|---|---|
| Rural Community Insurance Company (Wells Fargo) | 22.1% | 21.8% | 22.9% | 24.7% | 25.2% | 25.1% | -3.0% |
| Rain and Hail (ACE) [(1)] | 21.3% | 21.8% | 22.6% | 24.3% | 24.1% | 25.0% | -3.7% |
| NAU Country Insurance Company (QBE) [(1)] | 13.3% | 14.8% | 14.4% | 13.7% | 13.8% | 13.3% | 0.0% |
| Great American Insurance Co. | 8.5% | 8.7% | 8.7% | 9.1% | 10.1% | 10.6% | -2.1% |
| **American Agri-Business Ins. Co. (Endurance)** | **7.4%** | **6.7%** | **7.0%** | **6.5%** | **5.7%** | **5.9%** | **1.6%** |
| Producers Ag. Ins. Co. (CUNA Mutual) | 5.5% | 6.4% | 6.3% | 5.3% | 5.2% | 4.8% | 0.7% |
| Farmers Mutual Hail Ins. of Iowa | 4.4% | 4.5% | 4.2% | 3.8% | 4.0% | 4.0% | 0.4% |
| Guide One Mutual (CGB Diversified Services) | 4.0% | 2.7% | 2.0% | 1.2% | 1.2% | 1.1% | 2.9% |
| John Deere Risk Protection, Inc. | 3.3% | 3.3% | 3.8% | 4.0% | 3.3% | 3.0% | 0.2% |
| Agrinational Insurance Company (ADM) | 2.5% | 2.1% | 1.5% | 0.9% | 1.0% | 1.1% | 1.4% |
| Heartland (Everest Re) | 2.3% | 2.4% | 3.0% | 3.4% | 3.3% | 3.2% | -1.0% |
| AgriLogic (Occidental Firs & Casualty Co) | 1.8% | 1.4% | 0.1% | 0.0% | 0.0% | 0.0% | 1.8% |
| Hudson Insurance Company [(1)] | 1.6% | 1.2% | 1.2% | 0.8% | 0.6% | 0.4% | 1.2% |
| American Agricultural Ins. Co (Amer. Farm Bureau) | 1.3% | 1.3% | 1.3% | 1.4% | 1.4% | 1.2% | 0.1% |
| Country Mutual Insurance Company | 0.9% | 0.9% | 1.0% | 1.1% | 1.2% | 1.4% | -0.5% |

Source - National Crop Insurance Services (NCIS)

(1) 2007 Crop Year Market Share was increased to reflect the acquisition of a company between 2007 and 2012.

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# Other Miscellaneous Information

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# Probable Maximum Loss by Zone and Peril



## Largest 1 in 100 year PML as of January 1, 2013 is equal to 15.8% of Shareholders' Equity as of December 31, 2012

| | | Estimated Occurrence Net Loss as of January 1, 2013 | | | | | Jan. 1, 2012 | Jan. 1, 2011 |
|---|---|---|---|---|---|---|---|---|
| Zone | Peril | 10 Year Return Period | 25 Year Return Period | 50 Year Return Period | 100 Year Return Period | 250 Year Return Period | 100 Year Return Period | 100 Year Return Period |
| United States | Hurricane* | $215 | $309 | $370 | $429 | $515 | $574 | $567 |
| Europe | Windstorm | 85 | 170 | 254 | 346 | 457 | 384 | 463 |
| California | Earthquake | 51 | 223 | 343 | 395 | 518 | 409 | 456 |
| Japan | Windstorm | 17 | 89 | 160 | 201 | 227 | 317 | 363 |
| Northwest U.S. | Earthquake | - | 7 | 51 | 154 | 265 | 206 | 238 |
| Japan | Earthquake | 9 | 54 | 82 | 111 | 172 | 189 | 143 |
| United States | Tornado/Hail | 36 | 53 | 69 | 86 | 111 | 123 | 84 |
| Australia | Earthquake | - | 6 | 28 | 88 | 183 | 73 | 71 |
| New Zealand | Earthquake | - | 2 | 7 | 24 | 55 | 29 | 44 |
| Australia | Windstorm | 3 | 11 | 29 | 53 | 98 | 48 | 36 |
| New Madrid | Earthquake | - | - | - | 10 | 88 | 12 | 12 |

Values in $ Millions

The net loss estimates by zone above represent estimated losses related to our property, catastrophe and aerospace and marine lines of business, based upon our catastrophe models and assumptions regarding the location, size, magnitude, and frequency of the catastrophe events utilized to determine the above estimates. The net loss estimates are presented on an occurrence basis, before income tax and net of reinsurance recoveries and reinstatement premiums, if applicable. Return period refers to the frequency with which the related size of a catastrophic event is expected to occur.

**Actual realized catastrophic losses could differ materially from our net loss estimates and our net loss estimates should not be considered as representative of the actual losses that we may incur in connection with any particular catastrophic event.** The net loss estimates above rely significantly on computer models created to simulate the effect of catastrophes on insured properties based upon data emanating from past catastrophic events. Since comprehensive data collection regarding insured losses from catastrophe events is a relatively recent development in the insurance industry, the data upon which catastrophe models is based is limited, which has the potential to introduce inaccuracies into estimates of losses from catastrophic events, in particular those that occur infrequently. In addition, catastrophe models are significantly influenced by management's assumptions regarding event characteristics, construction of insured property and the cost and duration of rebuilding after the catastrophe. Lastly, changes in Endurance's underwriting portfolio risk control mechanisms and other factors, either before or after the date of the above net loss estimates, may also cause actual results to vary considerably from the net loss estimates above. For a listing of risks related to Endurance and its future performance, please see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011.

* United States Windstorm estimated net losses as of January 1, 2013 are based on RMS version 11.0 and include reinstatement premiums, if applicable

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# Fourth Quarter 2012 Highlights

## Results were impacted significantly by Superstorm Sandy

- Book value per common share, adjusted for dividends, declined 3.2% during fourth quarter 2012
  - Net loss attributable to common shareholders of $40.8 million
    - Includes net catastrophe losses of $158.8 million related to Superstorm Sandy
    - Net investment income was $38.6 million, improved results on alternatives were more than offset by lower book yield on fixed income investments
- Net written premiums of $187.9 million were unchanged compared to fourth quarter 2012
  - Insurance net written premiums of $106.7 million increased 10.5% from fourth quarter 2011
    - Improvement in agriculture premiums driven by a shift in policy inception dates from the third quarter to the fourth quarter on certain agriculture insurance products
    - Reductions in property premiums as we reduced our all risk insurance business line exposures to reallocate capital to lines with greater profit potential
  - Reinsurance net written premiums of $81.3 million declined 11.0% compared to fourth quarter 2011
    - Casualty premiums declined significantly due a non-renewal of a large contract
    - Growth in property premiums due to premium adjustments and new writings and an increase in catastrophe premiums due to reinstatement premiums related to Superstorm Sandy

# Financial Results for Fourth Quarter 2012

## Financial highlights

| $MM (except per share data and %) | Dec. 31, 2012 | Dec. 31, 2011 | $ Change | % Change |
|---|---|---|---|---|
| Net premiums written | 187.9 | 187.9 | 0.1 | - |
| Net premiums earned | 531.1 | 500.5 | 30.6 | 6.1% |
| Net investment income | 38.6 | 40.6 | (2.0) | -4.9% |
| Net underwriting (loss) income | (102.4) | (64.0) | (38.4) | -60.0% |
| Net (loss) income per common shareholders | (40.8) | (27.4) | (13.4) | -48.9% |
| Operating (loss) income per common shareholders | (76.4) | (39.5) | (36.9) | -93.4% |
| Fully diluted net (loss) income EPS | (0.96) | (0.88) | (0.08) | -9.1% |
| Fully diluted operating (loss) income EPS | (1.80) | (0.98) | (0.82) | -83.7% |

## Key operating ratios

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Operating ROE | -3.3% | -1.8% |
| Net loss ratio | 95.1% | 82.4% |
| Acquisition expense ratio | 13.9% | 15.4% |
| General and administrative expense ratio | 10.2% | 14.7% |
| Combined ratio | 119.2% | 112.5% |
| Diluted book value per share | $52.88 | $50.56 |
| Investment leverage | 2.74 | 2.82 |

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# Financial Results for Full Year 2012

## Financial highlights

| $MM (except per share data and %) | Dec. 31, 2012 | Dec. 31, 2011 | $ Change | % Change |
|---|---|---|---|---|
| Net premiums written | 2,029.5 | 1,979.8 | 49.7 | 2.5% |
| Net premiums earned | 2,013.9 | 1,931.4 | 82.5 | 4.3% |
| Net investment income | 173.3 | 147.0 | 26.3 | 17.9% |
| Net underwriting (loss) income | (48.1) | (251.9) | 203.7 | 80.9% |
| Net (loss) income per common shareholders | 162.5 | (93.7) | 256.3 | 273.4% |
| Operating (loss) income per common shareholders | 87.0 | (128.2) | 215.2 | 167.9% |
| Fully diluted net (loss) income EPS | 3.00 | (2.95) | 5.95 | 201.7% |
| Fully diluted operating (loss) income EPS | 1.25 | (3.81) | 5.06 | 132.8% |

## Key operating ratios

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Operating ROE | 2.4% | -6.3% |
| Net loss ratio | 75.5% | 84.6% |
| Acquisition expense ratio | 15.1% | 14.6% |
| General and administrative expense ratio | 11.7% | 13.7% |
| Combined ratio | 102.3% | 112.9% |

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# Fourth Quarter 2012 Net Written Premiums

## Insurance Segment

| In $MM | Dec. 31, 2012 | Dec. 31, 2011 | $ Change | % Change |
|---|---|---|---|---|
| Property | 7.5 | 8.7 | -1.2 | -13.8% |
| Casualty and other specialty | 43.7 | 40.3 | 3.4 | 8.4% |
| Agriculture | 25.4 | 9.1 | 16.3 | 179.1% |
| Professional lines | 30.1 | 38.4 | -8.3 | -21.6% |
| Total insurance | 106.7 | 96.5 | 10.2 | 10.5% |

## Reinsurance Segment

| In $MM | Dec. 31, 2012 | Dec. 31, 2011 | $ Change | % Change |
|---|---|---|---|---|
| Casualty | 25.0 | 59.2 | -34.2 | -57.7% |
| Property | 31.0 | 15.1 | 15.9 | 105.3% |
| Catastrophe | 22.1 | 14.8 | 7.3 | 49.3% |
| Other specialty | 3.2 | 2.3 | 0.9 | 39.1% |
| Total reinsurance | 81.3 | 91.4 | -10.1 | -11.1% |

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# Financial Overview: Inception to Date Financial Performance

Financial highlights from 2002 through December 31, 2012

| In $MM | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Inception to date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net premiums written | 765 | 1,598 | 1,697 | 1,619 | 1,586 | 1,575 | 1,784 | 1,606 | 1,764 | 1,980 | 2,029 | 18,003 |
| Net premiums earned | 369 | 1,174 | 1,633 | 1,724 | 1,639 | 1,595 | 1,766 | 1,633 | 1,741 | 1,931 | 2,014 | 17,219 |
| Net underwriting income (loss) | 51 | 179 | 232 | -410 | 304 | 322 | 111 | 265 | 195 | -252 | -48 | 949 |
| Net investment income | 43 | 71 | 122 | 180 | 257 | 281 | 130 | 284 | 200 | 147 | 173 | 1,888 |
| Net income (loss) before preferred dividend | 102 | 263 | 356 | -220 | 498 | 521 | 100 | 555 | 365 | -94 | 163 | 2,609 |
| Net income (loss) available to common shareholders | 102 | 263 | 356 | -223 | 483 | 506 | 85 | 539 | 349 | -118 | 130 | 2,472 |
| Diluted EPS | **$1.73** | **$4.00** | **$5.28** | **($3.60)** | **$6.73** | **$7.17** | **$1.33** | **$9.00** | **$6.38** | **($2.95)** | **$3.00** | **$38.07** |

| Key Operating Ratios | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Inception to date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Combined ratio | 86.2% | 84.7% | 85.8% | 123.5% | 81.5% | 79.9% | 93.5% | 84.0% | 88.7% | 112.9% | 102.3% | 94.4% |
| Operating ROE | 7.8% | 17.3% | 19.9% | (11.9%) | 25.7% | 23.8% | 8.5% | 22.0% | 12.6% | (6.3%) | 2.4% | 10.9% |
| Book value per share | $21.73 | $24.03 | $27.91 | $23.17 | $28.87 | $35.05 | $33.06 | $44.61 | $52.74 | $50.56 | $52.88 | |

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