

J.P. Morgan 2013 Insurance Conference

Endurance Specialty Holdings

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Chief Financial Officer



## 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](http://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.

# Introduction to Endurance Specialty Holdings

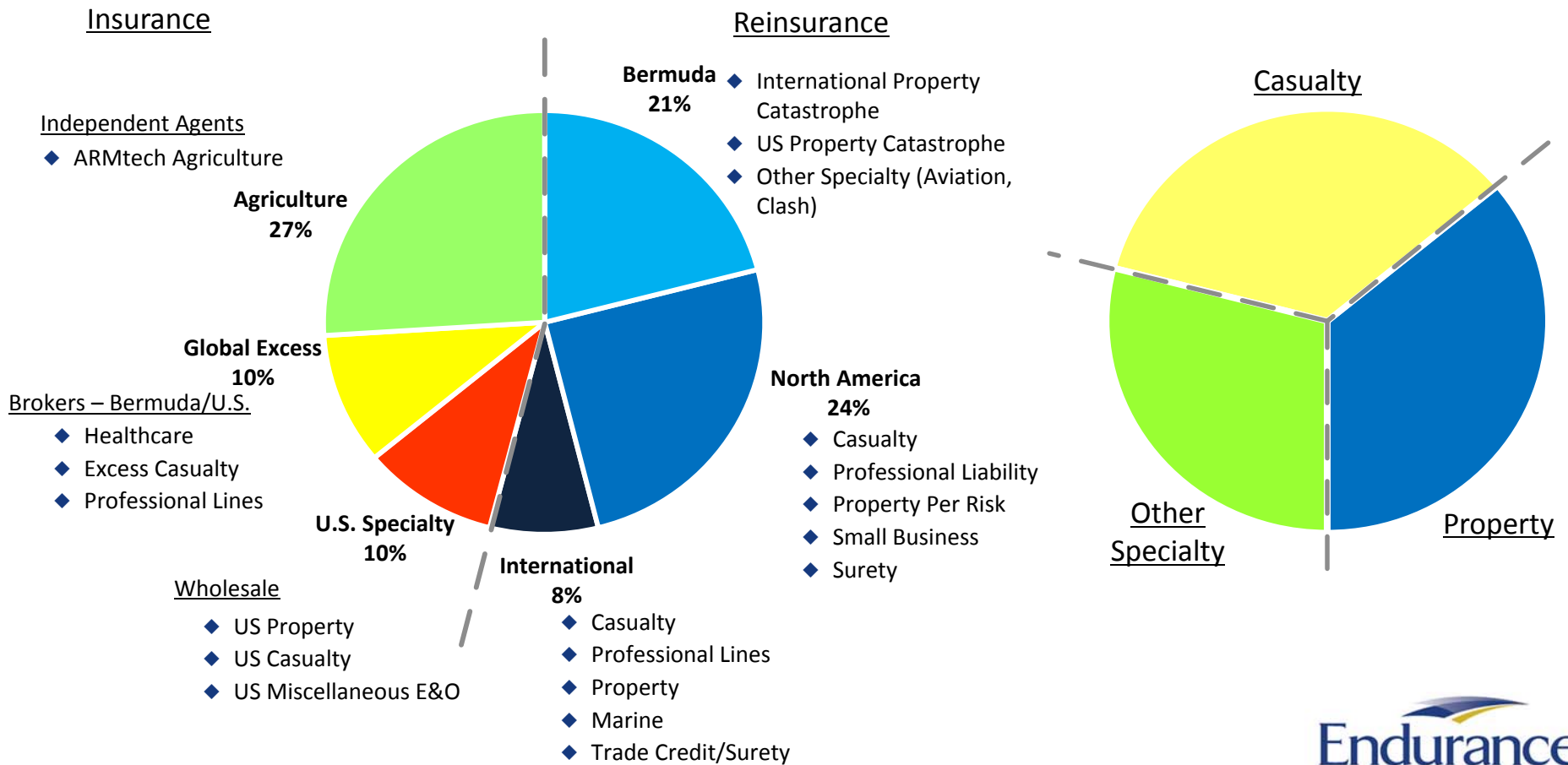
(Re)insurance company focused on diversified portfolio of businesses within specialty niches

Diversified Portfolio of Businesses	Strong Balance Sheet	Capital Management History
<ul style="list-style-type: none"> <li>▪ Balance between insurance and reinsurance segments</li> <li>▪ Maintain strong equilibrium of specialty, property and casualty exposures</li> <li>▪ Track record of opportunistically entering and exiting businesses to achieve strong returns</li> </ul>	<ul style="list-style-type: none"> <li>▪ “A” ratings from AM Best, S&amp;P and Moody’s</li> <li>▪ \$3.2 billion of total capital</li> <li>▪ Conservative, short-duration, AA rated investment portfolio</li> <li>▪ Prudent reserves that have historically been a source of value</li> </ul>	<ul style="list-style-type: none"> <li>▪ Returned \$1.95 billion to investors through dividends and share repurchases               <ul style="list-style-type: none"> <li>• Represents 79.0% of inception to date net income available to common shareholders</li> </ul> </li> <li>▪ Maintain a diversified, efficient capital structure</li> </ul>
<p style="text-align: center;"><b>We have built a strong franchise in our first eleven years of operation</b></p> <ul style="list-style-type: none"> <li>▪ Inception to date operating ROE of 10.9%</li> <li>▪ 10 year book value per share plus dividends CAGR of 11.1%</li> </ul>		

# Diversified Portfolio of Businesses

Portfolio diversified by product, distribution source and geography

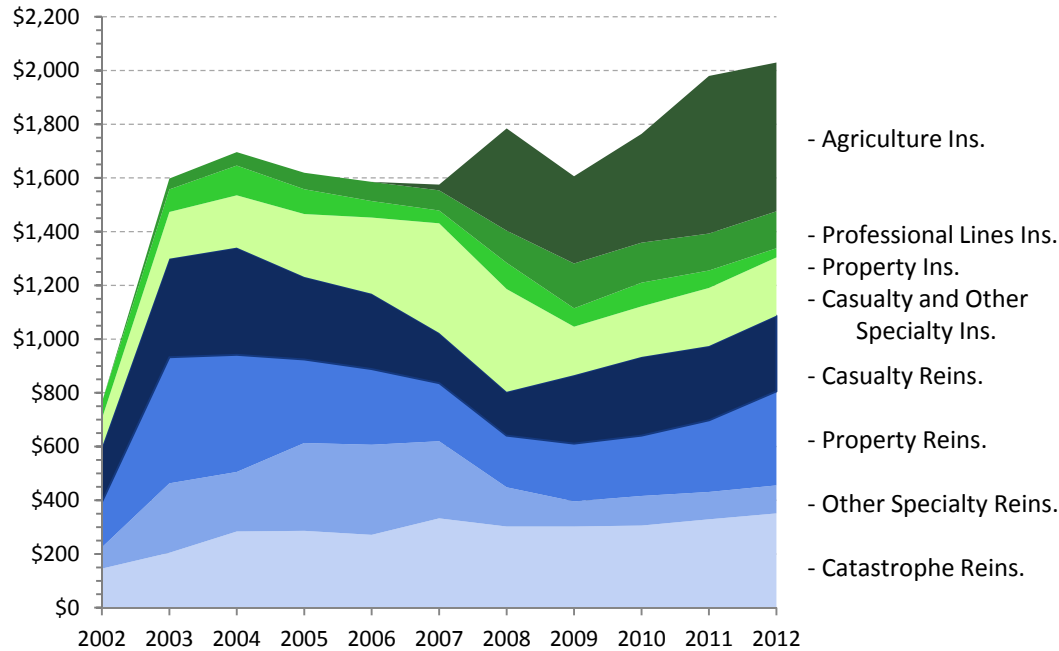
Twelve Months Net Premiums Written as of December 31, 2012: \$2.0 BN



# Insurance 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.

## We Are Actively Expanding Our Specialty Insurance Portfolio

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

Agriculture	Global Excess	U.S. Specialty
<ul style="list-style-type: none"> <li>▪ Multi Peril Crop Insurance (MPCI) product that is offered across the United States through independent agents</li> <li>▪ Policy count has grown 39.2% over the past five years as we have leveraged excellent service and industry leading technology</li> <li>▪ Continue to expand and diversify the portfolio and gain market share</li> <li>▪ Utilize Federal crop insurance program to provide risk mitigation in loss scenarios</li> </ul>	<ul style="list-style-type: none"> <li>▪ Severity focused insurance products (Healthcare, Excess Casualty, and Professional Lines) underwritten in Bermuda and the U.S. through brokers</li> <li>▪ Portfolio has become more balanced between the U.S. and Bermuda as smaller account business in the U.S. has grown</li> <li>▪ Expanded in the United States through addition of underwriting expertise and leveraging current team</li> </ul>	<ul style="list-style-type: none"> <li>▪ Specialty E&amp;S products written in the U.S. with a focus on smaller account sized business marketed through the wholesale channel</li> <li>▪ We have been actively re-balancing the portfolio to improve the potential profitability of the book of business</li> <li>▪ Investing in teams and technology to enhance systems and to expand specialty expertise as we seek greater scale in this business</li> </ul>

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	North America	International
<ul style="list-style-type: none"> <li>▪ Global business focused on high severity, low frequency risks that predominantly includes catastrophe, aviation, clash and political risk</li> <li>▪ Our portfolio of business has generated a 75% combined ratio since inception despite numerous significant catastrophic events</li> <li>▪ Continue to invest in people, analytics, and technology to maximize risk adjusted returns and attract outside capital support</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ Business mix has shifted to be more heavily weighted in property lines as recent pricing has been stronger than experienced in casualty exposures</li> <li>▪ Scalable operating model with strong market cycle discipline</li> </ul>	<ul style="list-style-type: none"> <li>▪ Global business that serves international clients from offices in London (UK), Zurich (Continental Europe) and Singapore (Australasia)</li> <li>▪ Experienced significant growth since 2009 following the opening of the Zurich and Singapore offices</li> <li>▪ Continue to add underwriting expertise to expand our product offering               <ul style="list-style-type: none"> <li>• Added trade credit and surety, and engineering teams in late 2012</li> </ul> </li> </ul>

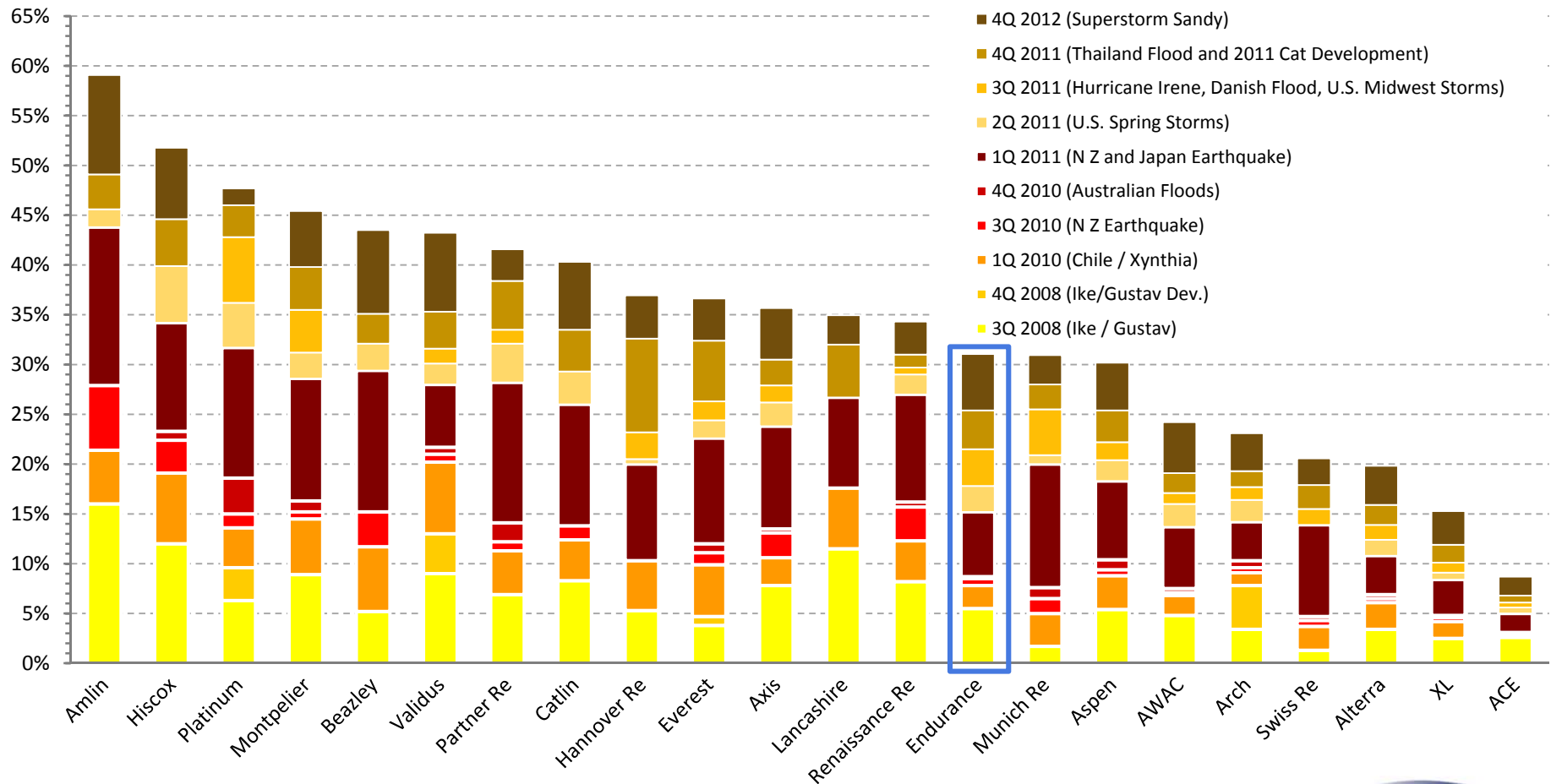
While our reinsurance operations consist of global risks that are underwritten from many offices, we manage risks at an aggregate level and jointly market global customers. Our reinsurance operations are scalable and can grow significantly in a hard market.

# 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.

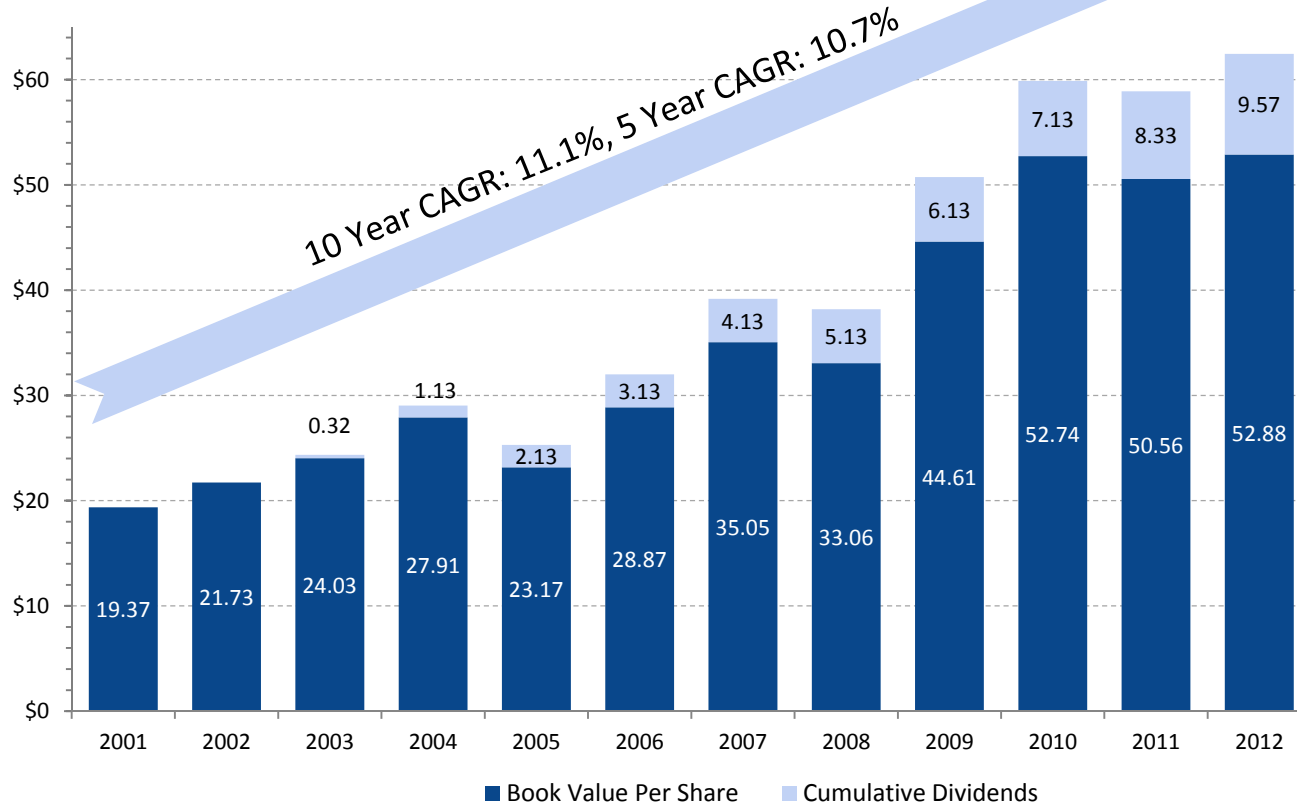




# Endurance's Financial Results

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.

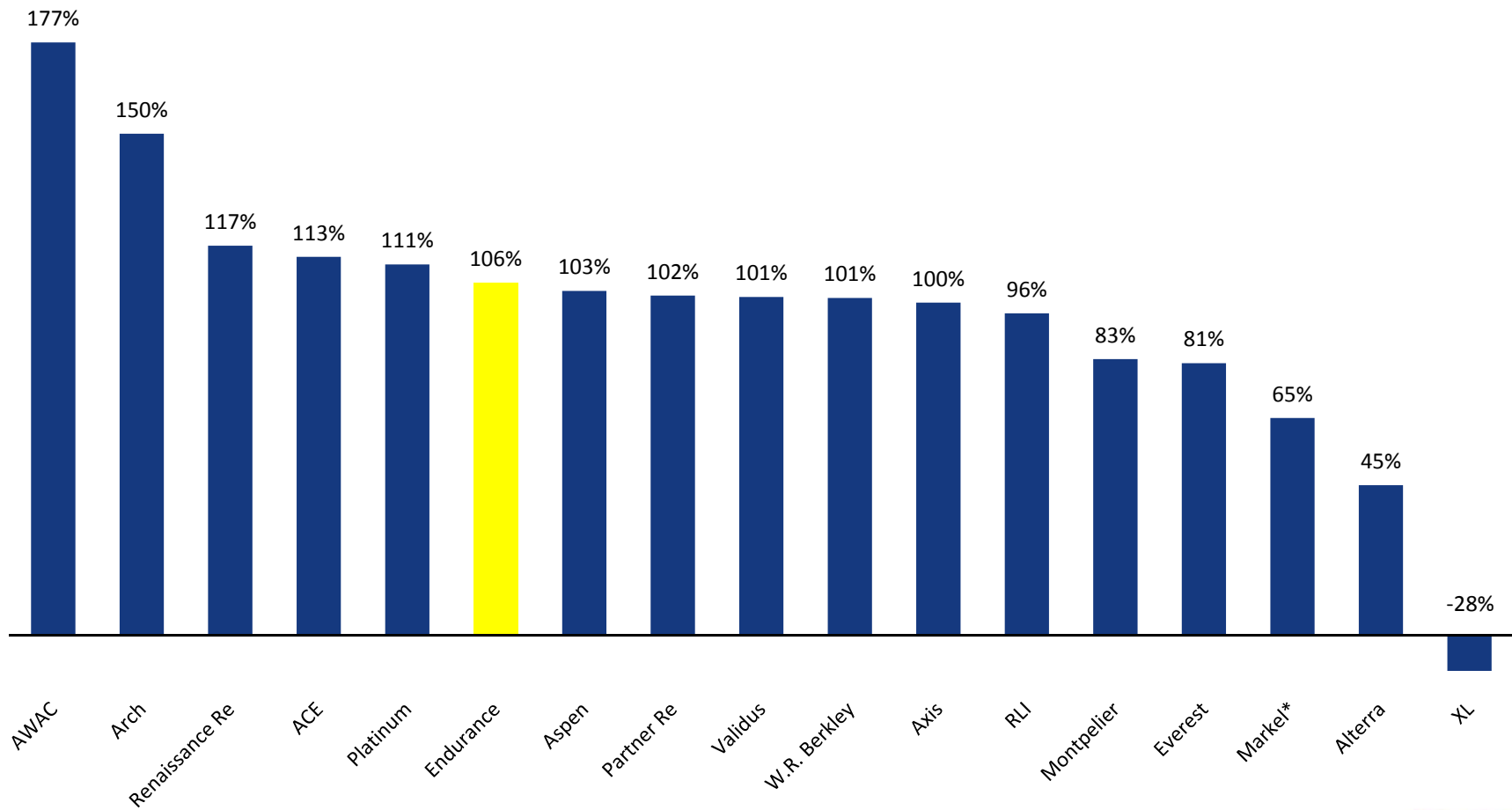


# Endurance's Financial Results

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

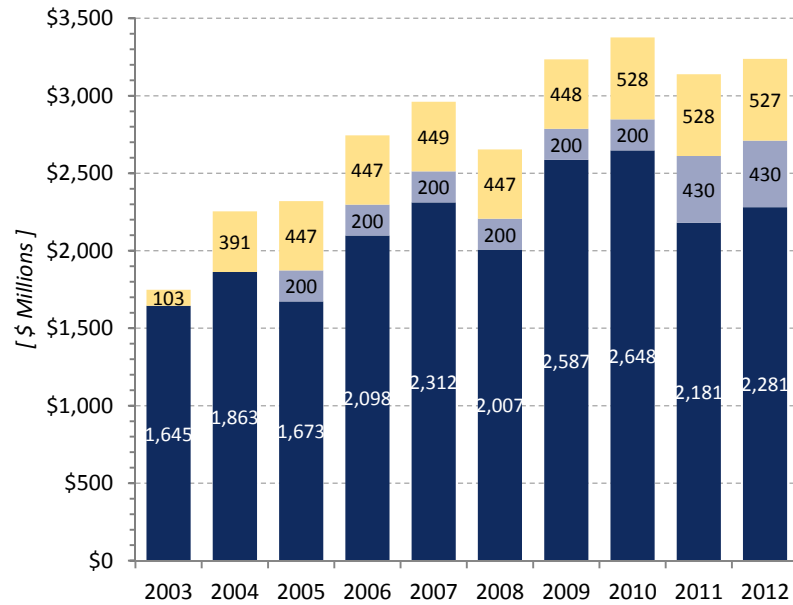


Note: Fully Diluted Book value per share and dividend data provided by company press releases and filings. For those companies that do not disclose fully diluted book value per share, the dilution was calculated using average diluted shares outstanding.

# Growing Capital Base while returning Capital to Investors

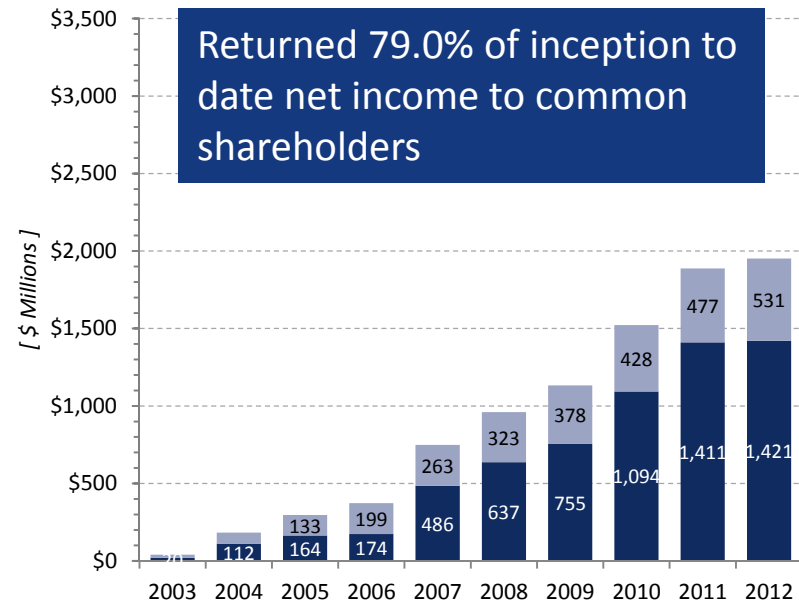
Diluted shares outstanding have been reduced by approximately 35% over the last five years

Endurance has a Diversified and Growing Capital Base



■ Common Equity    ■ Preferred Equity    ■ Debt

\$1.95 Billion of Capital Cumulatively Returned to Shareholders



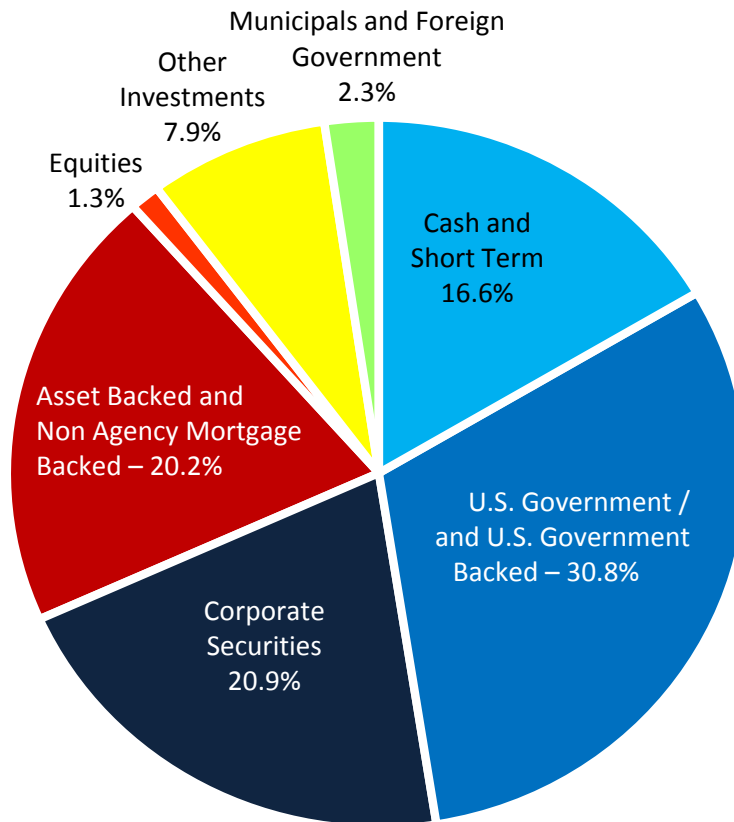
■ Cumulative Share Repurchases    ■ Cumulative Dividends

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.

# Strong Balance Sheet

Endurance maintains a high quality, short duration investment portfolio

## \$6.6 B Investment Portfolio at December 31, 2012



## 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

## Conclusion

### Endurance is a compelling investment opportunity

- Strategically managing our businesses
  - Hired Jack Kuhn and Jerome Faure as CEOs of our insurance and reinsurance operations to build and expand our global specialty insurance and reinsurance capabilities
  - 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