

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

**(ADOPTED AS OF AUGUST 8, 2013)**

**I. PURPOSE OF THE COMMITTEE**

The purposes of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Endurance Specialty Holdings Ltd. (the "Company") shall be to oversee the Company's management compensation program and employee benefit plans and policies, including its executive compensation practices and its management incentive and equity-based compensation plans.

**II. COMPOSITION OF THE COMMITTEE**

The Committee shall be comprised of three or more directors who (a) qualify as independent directors and (b) who are independent from management in connection with the performance by such directors of the duties of a member of the Committee ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE"). Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. It is intended that the Committee shall satisfy any other necessary standards of independence under the federal securities and tax laws.

The members of the Committee shall be elected annually to one-year terms by the affirmative vote of a majority of the Board members at the first meeting of the Board to be held following the annual meeting of shareholders or as soon thereafter as practicable. Vacancies on the Committee shall be filled by like vote of the Board at the next meeting of the Board following the occurrence of the vacancy or as soon thereafter as practicable. A member may be removed from the Committee at any time, with or without cause, by like vote of the Board.

**III. MEETINGS AND PROCEDURES OF THE COMMITTEE**

The Board shall designate one member of the Committee as its Chairperson. The Committee shall fix its own rules of procedure, which shall be consistent with the By-Laws of the Company and this Charter. The Committee shall establish a regular meeting schedule, which shall be at least two times annually or more frequently as circumstances

require. The Chairperson of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum. All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present. The Committee shall maintain minutes of its meetings and shall regularly report on its actions to the Board.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee shall have access to any of the books and records of the Company that the Committee shall consider relevant to carrying out its duties and may require any officer or employee of the Company to attend meetings of the Committee and provide to it any information available to the Company relevant to the Committee's activities, except as the Board may otherwise direct.

#### **IV. COMMITTEE RESPONSIBILITIES**

##### **A. Management Compensation Program**

The Committee shall have the following goals and responsibilities with respect to the Company's management compensation program:

(a) to review at least annually the Company's management compensation program in light of the Company's strategies and business plans and to recommend to the Board such changes in the goals and objectives of the program as the Committee deems appropriate;

(b) to review at least annually the material terms of the Company's executive compensation program and, if the Committee deems it appropriate, adopt, or recommend to the Board for adoption, changes in the terms of such program, including the adoption of any new compensation arrangements for the Company's executives;

(c) to evaluate annually the performance of the Chief Executive Officer in light of his or her performance, the Company's performance, strategies and business plans and the goals and objectives of the Company's executive compensation program, and to set his or her aggregate compensation based on this evaluation;

(d) to evaluate annually the performance of (i) any member of the Company's senior management as the Committee shall designate from time to time in writing or (ii)

any other employee whose aggregate annual compensation exceeds such amount as the Committee shall determine from time to time in writing, in each case in accordance with such guidelines as the Committee may from time to time establish in writing (each, a “Designated Executive Officer”), in light in each case of his or her performance, the Company’s performance, strategies and business plans and the goals and objectives of the Company’s executive compensation program, and to set the aggregate compensation level of each based on this evaluation;

(e) to perform such duties and responsibilities as may be assigned to the Committee under the terms of the Company’s executive compensation program;

(f) to review at least annually any perquisites or other personal benefits provided by the Company to its executive officers, including the reimbursements provided by the Company for expenses personally expended by an executive officer for Company business purposes, and to institute, or recommend to the Board, any changes to the Company’s practices in such regard;

(g) to produce an annual report on the Company’s executive compensation practices and policies for inclusion in the Company’s proxy statement, in accordance with all applicable rules and regulations;

(h) to review and recommend for approval by the Board how frequently the Company should permit the Company’s shareholders to have an advisory vote on executive compensation (a “say-on-pay”), taking into account the results of shareholder votes on the frequency of say-on-pay resolutions at the Company;

(i) to review the results of shareholder votes on the Company’s say-on-pay resolutions, including in relation to golden parachutes (if any), and consider whether to make any adjustments to the Company’s executive compensation policies and practices as a result thereof; and

(j) to review and assess periodically the management succession plan for the Chief Executive Officer position and other members of executive management.

Consistent with the foregoing responsibilities of the Committee, the Committee and the Company shall, except as may be otherwise directed by the Board, adhere to the following policies regarding compensation of the Company’s management:

(i) Any employment, incentive compensation, severance or similar agreement, and any amendment thereto, between the Company and a Designated Executive Officer, shall be subject to review by the Committee and the Committee shall report thereon to the full Board with its recommendation regarding such agreement. Such employment, incentive compensation, severance or similar agreement shall be subject to approval of the Board unless the Board has delegated approval thereof to the Committee, before the Company shall become bound by such agreement (except any such agreement in effect on the

date of this Charter). The Committee shall have the authority to make any determination regarding the interpretation or application of any such employment, incentive compensation, severance or similar agreement to be made by the Company as provided by such agreement (including, without limitation, any determination regarding the amount of any bonus or incentive compensation award to be made under such agreement and any determination regarding the vesting of any benefits or the waiver of any conditions or requirements of such agreement).

- (ii) Any bonus or other incentive compensation plan or program in which any Designated Executive Officer may participate, and any other bonus award to a Designated Executive Officer, shall be subject to review by the Committee. The Committee shall report thereon to the full Board with its recommendation regarding such bonus or other incentive compensation plan or program or bonus award, which shall be subject to approval of the Board unless the Board has delegated approval thereof to the Committee, before the Company shall become bound by such plan or program or shall grant such award (except any such plan, program or award in effect on the date of this Charter). The Committee shall have the authority to make any determination regarding the interpretation or application of any such incentive compensation plan or program to be made by the Company as provided by such plan or program (including, without limitation, any determination regarding the amount of any bonus or incentive compensation award to be made under such plan or program and any determination regarding the vesting of any benefits or the waiver of any conditions or requirements of such plan or program).
- (iii) In determining the long-term incentive component of a Designated Executive Officer's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative returns available to the Company's shareholders, the value of similar awards to executive officers of comparable companies, the awards given to the Designated Executive Officers of the Company having similar responsibilities in past years and, with regard to other Designated Executive Officers, the rewards provided to the Chief Executive Officer.

Any direction by the Board with respect to the matters referred to above shall require the affirmative vote of a majority of the Independent Directors. For purposes of this Charter, any reference to the Company shall include any other company over which the Company, directly or indirectly, exercises control.

## **B. Incentive Compensation and Equity-Based Incentive Plans and Programs**

The Committee shall have the following responsibilities with respect to the Company's incentive compensation and equity-based compensation plans and programs:

(a) to review at least annually the Company's incentive-compensation and equity-based compensation plans and programs in light of the Company's strategies and business plans, and to recommend to the Board such changes to the goals and objectives of the plans or programs and such changes to the terms of such plans or programs, or new incentive compensation or equity-based incentive plans or programs, as the Committee deems appropriate; and

(b) to exercise such powers regarding the administration, application and interpretation of the Company's incentive compensation and equity-based compensation plans and programs as may be assigned to the Committee by the terms of such plans or programs and to make recommendations to the Board with respect to any such matters assigned by the terms of such plans or programs to the full Board.

### **C. Other Employee Benefit Plans**

The Committee shall have the following responsibilities with respect to the Company's employee benefit plans:

(a) to review at least annually the goals and objectives of the Company's other employee benefit plans in light of the Company's strategies and business plans and to recommend to the Board such changes to the goals and objectives of the plans as the Committee deems appropriate; and

(b) to exercise such powers regarding the administration, application and interpretation of the Company's such employee benefit plans as may be assigned to the Committee by the terms of such plans.

### **D. Other Matters**

The Committee shall also,

(a) evaluate annually the appropriate level of compensation for Board and Committee service by non-employee members of the Board and to make recommendations with respect to such matters to the full Board; and

(b) perform such other responsibilities regarding the Company's employee compensation programs or policies or other matters as the Board may from time to time assign the Committee.

### **V. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent counsel or other adviser as it deems necessary for the proper performance of its responsibilities. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of

any compensation consultant, independent legal counsel or other adviser retained by the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the Committee. The Committee may select a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration, prior to selection and on at least an annual basis thereafter, all factors relevant to that person's independence from management in accordance with the listing standards of the NYSE.

## **VI. EVALUATION OF THE COMMITTEE'S PERFORMANCE**

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information received by the Committee and presented by the Committee to the Board, and the adequacy of the Committee's deliberations regarding the matters reported to and acted upon by the Committee and of the deliberations of the Board regarding the matters reported to and recommended to the Board by the Committee. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.