ENDURANCE SPECIALTY HOLDINGS LTD

FORM 10-K/A
(Amended Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

☑ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2010,

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from __________ to __________

Commission file number 1-31599

ENDURANCE SPECIALTY HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**98-0392908** (I.R.S. Employer Identification Number)

Wellesley House
90 Pitts Bay Road
Pembroke HM 08, Bermuda
(Address of principal executive offices, including postal code)

Registrant's telephone number, including area code: (441) 278-0400

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par value $1.00 per share	New York Stock Exchange
Preferred Shares, Series A, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes ☑ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of ''accelerated filer'' and ''large accelerated filer'' in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Yes ☐ No ☑

The aggregate market value of the ordinary shares held by non-affiliates of the registrant, as of June 30, 2010, was $1,326,144,843.

As of February 22, 2011, 39,731,133 ordinary shares were outstanding.

Certain portions of the registrant's definitive proxy statement relating to its 2011 Annual General Meeting of Shareholders are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K (the “Amendment”) for the fiscal year ended December 31, 2010 of Endurance Specialty Holdings Ltd. (the “Company”), originally filed with the U.S. Securities and Exchange Commission on March 1, 2011 (the “Original 10-K”) is being filed solely for the purpose of revising Part I, Item 1 (Business) to delete disclosures and references to the Company’s credit ratings that may not constitute “issuer disclosure-related ratings information” in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Rule 436 under the Securities Act of 1933, as amended. All other Items of the Original 10-K are unaffected by this Amendment and such Items have not been included in this Amendment. Information included in this Amendment is stated as of December 31, 2010.

This Amendment does not reflect any subsequent events occurring after the filing of the Original 10-K and other than as noted above, does not modify or update any other disclosures in the Original 10-K in any way.

Item 1. Business

Overview

Endurance Holdings is a holding company domiciled in Bermuda. Through our operating subsidiaries based in Bermuda, the United States and the United Kingdom, we focus on underwriting specialty lines of personal and commercial property and casualty insurance and reinsurance on a global basis. We define specialty lines as those lines of insurance and reinsurance that require dedicated, specialized underwriting skills and resources in order to be profitably underwritten. Our portfolio of specialty lines of business is organized into two business segments — Insurance and Reinsurance.

We began operations on December 17, 2001 after Endurance Bermuda completed a private placement of $1.2 billion of its equity securities. On March 5, 2003, Endurance Holdings completed the initial public offering of its ordinary shares. Endurance Holdings' seven wholly-owned operating subsidiaries as of December 31, 2010 are as follows:

- Endurance Bermuda, domiciled in Bermuda with branch offices in Zurich and Singapore;
- Endurance Reinsurance Corporation of America ("Endurance U.S. Reinsurance"), domiciled in Delaware;
- Endurance Worldwide Insurance Limited ("Endurance U.K."), domiciled in England;
- Endurance American Insurance Company ("Endurance American"), domiciled in Delaware;

- Endurance American Specialty Insurance Company (“Endurance American Specialty”), domiciled in Delaware;
- Endurance Risk Solutions Assurance Co. (“Endurance Risk Solutions”) domiciled in Delaware; and
- American Agri-Business Insurance Company, domiciled in Texas and managed by ARMtech Insurance Services, Inc. (together “ARMtech”).

Endurance Holdings and its wholly-owned subsidiaries are collectively referred to in this discussion as “we” or the “Company”. Endurance Holdings’ ordinary shares are traded on the New York Stock Exchange under the symbol “ENH”.

Business Strategy

Our goal is to leverage our competitive strengths and successfully execute our strategy in order to generate a superior long-term return on capital.

The key elements of our strategy are:

- *Maintain a Portfolio of Profitable Specialty Lines* . We participate in specific specialty lines of insurance and reinsurance that we believe have the potential to offer the highest risk-adjusted return on capital and in which we believe we can establish a competitive advantage through our specialized teams of expert underwriters. We leverage our ability to participate in multiple lines of business to deploy capital and resources to the most attractive business lines at the most opportune times. The Company also strategically balances its participation between insurance and reinsurance policies and contracts as well as balances exposures across geographic locations.

- *Utilize Monoline Level of Expertise in Each Line of Business* . We have teams of highly experienced professionals to manage each of our specific lines of business. Each team is led by underwriting personnel who are specialists in their unique business line.

- *Apply Extensive Technical Analysis to Our Underwriting* . We manage our portfolio of risks through the utilization of catastrophe modeling and dynamic financial analysis techniques that provide a quantitative basis for the management of risk aggregation and correlation. We require significant amounts of data in our underwriting process and proactively monitor market trends to look for competitive threats to the lines of business in which we operate as well as to analyze potential new lines that may provide attractive opportunities. We use information gathered to update and adjust the assumptions underlying our risk management models as appropriate.

- *Maintain Strong Risk Management Practices* . We believe that a strong risk management culture is key to maximizing risk adjusted returns on capital and to manage volatility and other risks that could threaten the Company’s solvency. Our enterprise risk management techniques include sophisticated modeling technology and a detailed internal control structure that gives us a competitive advantage in managing our underwriting, investment and operational risks across the Company. The Company employs a number of practices and committees at both the Board of Directors and management levels that foster communication across groups, to enhance the coordination of risk management strategies and to identify current issues and emerging risks.

- *Focus on Underlying Profitability of Business Underwritten.* We underwrite our business with a focus on the underlying profitability that the business brings to Endurance and are committed to expanding or contracting our businesses based upon the opportunities presented in the markets in which we participate.

- *Utilization of Reinsurance Protection to Enhance Risk Management* . When we are insuring correlated risks such as natural perils, we purchase catastrophe reinsurance at a level consistent with the size of the individual book of business. In addition to being a critical tool for managing loss risk accumulations, reinsurance is also used to ensure our insurance businesses are of sufficient size to be considered a lead market for their products. In our Reinsurance segment, we continue to strategically review and underwrite our business on a net basis, managing our reinsurance portfolio risk through underwriting analysis and portfolio diversification. However, we may strategically purchase reinsurance protection across our portfolio to balance our book of business against the risk of a severe catastrophe event or the occurrence of multiple significant catastrophe events.

- *Maintain a Portfolio of Investments to Generate Net Investment Income and Book Value Growth.* We manage our investment portfolio within a risk adjusted, expected return framework. Our investment management activities focus on ensuring that the Company has adequate liquidity to satisfy the needs of its customers, regulators, rating agencies and shareholders while adding value through the disciplined management of investment risk to earn superior risk adjusted returns. Flexibility exists within this framework to adjust asset allocation in order to benefit from market opportunities to maximize our risk-adjusted returns.

- *Proactively Manage Our Capital Base* . Our underwriting, actuarial, finance and investment professionals work together to achieve a balance in the risks we undertake. We actively manage our capital by allocating resources to underwriting and investment opportunities which we believe will offer the highest risk-adjusted return on capital. The primary focus of our capital management activities is to optimize our risk adjusted return on equity while ensuring the Company maintains sufficient levels of risk based capital and financial flexibility to satisfy the needs of our customers, regulators, rating agencies and shareholders. Over the long-term, we will return excess capital to our shareholders rather than use excess capital to underwrite business that no longer meets our underwriting requirements.

Business Segments

The Company currently has two business segments — Insurance and Reinsurance. Financial data relating to our two segments is included in Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations and in our Audited Consolidated Financial Statements and related notes presented under Item 8 — Financial Statements and Supplementary Data.

Our two business segments and the related gross and net premiums written for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010		2009		2008	
Business Segments	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**
			(U.S. dollars in thousands)			
Insurance	$1,112,192	$ 829,864	$1,152,150	$ 740,310	$1,426,366	$ 980,598
Reinsurance	941,044	933,880	869,300	865,740	820,054	803,692
Total	$2,053,236	$1,763,744	$2,021,450	$1,606,050	$2,246,420	$1,784,290

Insurance

Our Insurance segment is comprised of six lines of business: agriculture, professional lines, casualty, property, healthcare liability, and workers' compensation lines. We ceased writing new workers' compensation business in February 2009. Gross and net premiums written for the lines of business in the Insurance segment for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010		2009		2008	
Lines of Business	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**
			(U.S. dollars in thousands)			
Agriculture	$ 567,461	$ 404,767	$ 572,096	$ 324,480	$ 690,318	$ 380,699
Professional Lines	170,146	148,717	193,799	167,091	142,253	119,427
Casualty	167,549	107,801	152,580	91,071	120,867	86,610
Property	122,110	88,299	124,621	68,011	159,408	98,012
Healthcare Liability	87,593	82,893	82,955	78,284	80,692	80,002
Workers' Compensation	(2,667)	(2,613)	26,099	11,373	232,828	215,848
Total	$1,112,192	$ 829,864	$1,152,150	$ 740,310	$1,426,366	$ 980,598

A description of each of these lines of business follows:

Agriculture. Our agriculture insurance business focuses on traditional multiple peril crop insurance, crop hail, livestock risk protection and other agriculture risk management products, all offered through independent agents.

Professional Lines . Our professional lines insurance business includes directors' and officers' liability, errors and omissions, employment practices liability, environmental liability and pension trust liability insurance and includes both non-profit and for-profit entities representing a wide range of industry groups.

Casualty . Our casualty insurance line of business provides third party liability insurance for a wide range of industry groups. Our excess casualty clients are typically Fortune 1000 companies with sophisticated risk management practices who generally retain large portions of their own risk and purchase large insurance limits. In addition, we write casualty insurance that targets middle market companies at lower attachment points for real estate, manufacturing, chemicals, financial, utilities, telecommunications, construction and other industries.

Property . Our property insurance line of business is comprised of insured properties with sufficiently large values to require multiple insurers and reinsurers to accommodate their insurance capacity needs. The properties insured are generally of a commercial nature and are spread across a variety of industries, such as real estate, retail, manufacturing, chemicals, financial services, utilities, telecommunications, construction, civil engineering and municipalities/institutions. As of February 2009, we ceased offering property insurance coverage from our London office.

Healthcare Liability. Our healthcare liability line of business is focused on excess hospital medical professional liability insurance. Our Bermuda operation focuses on institutional healthcare providers such as large, stand-alone hospitals, multi-hospital systems, university teaching hospitals and integrated specialty hospitals. Our U.S.-based operations offer excess coverage to small to medium sized stand-alone hospitals and other healthcare organizations.

Workers' Compensation. As of February 2009, the Company ceased underwriting California workers' compensation insurance business. Our workers' compensation insurance line was primarily focused on niche markets in the U.S. To support this business, we entered into a strategic relationship with a specialist managing general agent in the California workers' compensation insurance market.

Reinsurance

Our Reinsurance segment is comprised of five lines of business: catastrophe, casualty, property, aerospace and marine and surety and other specialty. Gross and net premiums written for the lines of business in the Reinsurance segment for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010		2009		2008	
Lines of Business	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**	**Gross Premiums Written**	**Net Premiums Written**
			(U.S. dollars in thousands)			
Catastrophe	$ 309,886	$ 305,617	$ 303,404	$ 302,218	$ 315,262	$ 302,070
Casualty	294,030	293,222	255,142	254,897	161,583	162,617
Property	224,544	224,544	215,085	215,085	192,652	192,625
Aerospace and Marine	48,761	46,696	44,696	42,563	80,521	76,991
Surety and Other Specialty	63,823	63,801	50,973	50,977	70,036	69,389
Total	$ 941,044	$ 933,880	$ 869,300	$ 865,740	$ 820,054	$ 803,692

A description of these lines of business follows:

Catastrophe . Our catastrophe reinsurance line of business reinsures catastrophic perils for ceding companies on a treaty basis for primarily property and workers' compensation business. The principal perils reinsured in our catastrophe reinsurance business include natural perils such as hurricanes, typhoons, earthquakes, floods, tornados, hail and fire and certain man-made perils such as industrial events and terrorism.

Casualty. Our casualty reinsurance line of business reinsures third party liability exposures from ceding companies on a treaty basis such as automobile liability, professional liability, directors' and officers' liability, umbrella liability and workers' compensation.

Property. Property reinsurance reinsures individual property insurance policies issued by our ceding company clients including both personal lines and commercial exposures (principally covering buildings, structures, equipment, contents and time element coverages on a treaty basis). Loss exposures in this segment include the perils of fire, explosion, collapse, riot, vandalism, wind, tornado, flood and earthquake. We underwrite our property reinsurance line of business on both a proportional and excess of loss basis.

Aerospace and Marine . Our aerospace line of business is comprised primarily of the reinsurance of aviation and space risks. The aviation business includes hull, aircraft liability and aircraft products coverages and the space business includes satellite launch and in-orbit coverage.

Our marine business consists of the reinsurance of bluewater hull, brownwater hull and cargo risks and is underwritten on a proportional and non-proportional basis.

Surety and Other Specialty. We provide surety reinsurance for contract and commercial surety as well as for fidelity insurance coverages on both a proportional and excess of loss basis. This business line also includes agriculture reinsurance comprised of risks associated with the production of food and fiber on a global basis; traditional treaty, proportional and aggregate stop loss reinsurance for primary insurance companies writing multiple peril, hail; and named peril covers, as well as custom risk transfer mechanisms for agricultural dependent industries with exposure to crop yield or price. Our remaining business in this line represents a variety of contracts, such as personal accident and terrorism, which are underwritten utilizing the expertise of our senior underwriting staff.

Please see Item 8 Financial Statements and Supplementary Data, Audited Consolidated Financial Statements' Note 9 — "Segment Reporting" for additional information about our business segments and the geographic distribution of our gross premiums written for the last three fiscal years.

Distribution

The majority of our business is obtained directly by the Company or through the use of intermediaries, including independent agents and insurance and reinsurance brokers around the world. The brokerage distribution channel provides us with access to an efficient, variable cost, and global distribution system without the significant time and expense which would be incurred in creating wholly-owned distribution networks for certain lines of business.

For the year ended December 31, 2010, Marsh & McLennan Companies, Inc. was the largest distributor in our Insurance segment, and Aon Benfield was the largest broker distributor in our Reinsurance segment. A breakdown of our distribution by broker and by business segment for the years ended December 31, 2010, 2009 and 2008 is provided in the tables below:

Insurance

	Percentage of Gross Premiums Written		
Broker	**2010**	**2009**	**2008**
Marsh & McLennan Companies, Inc.	8.6%	7.9%	5.9%
Aon Benfield [(1)]	5.5%	5.8%	5.4%
Willis Companies	2.6%	2.5%	2.5%
Independent agents	55.8%	57.5%	66.8%
All Others	27.5%	26.3%	19.4%
Total	100.0%	100.0%	100.0%

(1) On November 11, 2008, Aon Corporation completed its acquisition of Benfield Group Limited. The table above shows the gross premiums brokered by these entities on a consolidated basis for all years presented.

Reinsurance

Broker	Percentage of Gross Premiums Written 2010	2009	2008
Aon Benfield [(1)]	34.8%	32.3%	29.6%
Marsh & McLennan Companies, Inc.	29.0%	27.4%	28.3%
Willis Companies	21.0%	25.5%	25.4%
All Others	15.2%	14.8%	16.7%
Total	100.0%	100.0%	100.0%

(1) On November 11, 2008, Aon Corporation completed its acquisition of Benfield Group Limited. The table above shows the gross premiums brokered by these entities on a consolidated basis for all years presented.

Claims Management

Under the direction of our Chief Claims Officer, claims are managed by our experienced, technical claims teams working closely with each of our operating subsidiaries. Our claims staff reviews initial loss reports, administers claims databases, generates appropriate responses to claims reports, identifies and handles coverage issues, determines whether further investigation is required and where appropriate, retains outside claims counsel, establishes case reserves, approves claims for payment, manages salvage and subrogation and notifies reinsurers. In addition, our claims staff conducts significant audits of our insurance company clients throughout the year, evaluating claims handling abilities, reserve philosophies, loss notification processes and overall quality of our clients' performance.

Upon receipt, claims notices are recorded by the claims staff within our underwriting, financial and claims systems. When the Company is notified of insured losses or discovers potential losses as part of its claims audits, claims personnel record a case reserve as appropriate for the estimated amount of the exposure at that time. The estimate reflects the judgment of claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, advice of counsel. Reserves are also established to provide for the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process.

Reserve for Losses and Loss Expenses

We are required by applicable insurance laws and regulations and accounting principles generally accepted in the United States ("U.S. GAAP") to establish reserves for losses and loss expenses that arise from our business. These reserves are balance sheet liabilities representing estimates of future amounts required to pay losses and loss expenses for insured or reinsured claims which have occurred at or before the balance sheet date, whether already known to us or not yet reported. It is our policy to establish these losses and loss expense reserves after evaluating all information known to us as of the date they are reported.

We use statistical and actuarial methods to reasonably estimate ultimate expected losses and loss expenses. The period of time from the reporting of a loss to us and the settlement of our liability may be several years. During this period, additional facts and trends may be revealed. As these factors become apparent, reserves will be adjusted, sometimes requiring an increase in our overall reserves, and at other times requiring a reallocation of incurred but not reported reserves to specific case reserves.

Reserves for losses and loss expenses are based in part upon the estimation of losses resulting from catastrophic events. Estimation of losses from catastrophic events is inherently difficult because of the infrequency and severity of large catastrophes. Therefore, we utilize commercially available models, as well as historical reinsurance industry property catastrophe claims experience to supplement our own historical claims experience, for purposes of evaluating future trends and providing an estimate of ultimate claims costs.

To assist us in establishing appropriate reserves for losses and loss expenses, we analyze a significant amount of insurance industry information with respect to the pricing environment and loss settlement patterns. In combination with our individual pricing analyses, this industry information is used to guide our loss and loss expense estimates. These estimates are reviewed regularly, and adjustments, if any, are recorded in earnings in the periods in which they are determined.

While management believes it has made a reasonable estimate of ultimate losses, the ultimate claims experience may not be as reliably predicted as may be the case with other insurance and reinsurance operations, and there can be no assurance that our future losses and loss expenses will not exceed our current total reserves. For a description of the Company's current reserves, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reserve for Losses and Loss Expenses" and Note 5 — "Reserve for losses and loss expenses" in the Notes to the Consolidated Financial Statements of the Company.

Enterprise Risk Management

We have developed a strong risk management culture within the Company through the establishment of various processes and controls focused on the Company's risk exposures. Our enterprise risk management ("ERM") activities are critical to the organization's senior management, business units and Board of Directors. The goals of our ERM framework that drive our corporate strategy are as follows:

- identify and manage the risks that threaten the Company and its solvency;
- optimize the Company's risk based capital position;
- maximize the Company's risk adjusted returns on capital;
- manage underwriting, investment and operational volatility; and
- clearly communicate our approach to our employees and external constituencies.

In order to meet our ERM goals, the Company has established risk tolerances applicable to all areas of our business. It is our corporate objective to limit the risk of a significant loss on an economic basis from a one-in-one-hundred year series of catastrophic events to no more than 25% of our shareholders' equity. We define "economic basis" as premiums plus net investment income less incurred losses and loss expenses, acquisition expenses and general and administrative expenses.

On a group basis, we monitor our:

- capital position relative to our internal requirements and the requirements of our regulators and rating agencies; and
- liquidity by stressing cash outflow scenarios relative to available cash and cash equivalents and other forms of liquidity.

In addition, we have developed processes, models and a detailed internal control structure to specifically address our risk exposures. The Company's primary risk exposure areas are as follows: underwriting risk, including certain key underwriting risks associated with the pricing and exposure evaluation process; catastrophe correlation/aggregation risk; the risk embedded in the loss reserve estimation process; investment risk; and operational risk. The following sections more specifically address our method and procedures for addressing and managing our underwriting, catastrophe, loss reserving, investment and operational risks.

Underwriting Risk Management

Internal underwriting controls are established by our Chief Executive Officer, President and Chief Underwriting Officer. Underwriting authority is delegated to the managers of our lines of business in each business segment and to underwriters in accordance with prudent practice and an understanding of each underwriter's capabilities. Detailed letters of underwriting authority are issued to each of our underwriters. These letters contain our operating guidelines, a description of the analytic process to be followed, referral requirements broken down by sources of business, terms and conditions, situations, limits capacity and annual premium for any one contract. Our return on capital guidelines are attached to each letter as an exhibit and are stated in terms of maximum combined ratio targets, excluding our general and administrative expenses, and minimum return on risk based capital by line of business.

Our return on capital guidelines are regularly reviewed by our President, Chief Underwriting Officer and our Chief Risk Officer to reflect changes in market conditions, interest rates, capital requirements and market-expected returns. In addition, oversight of underwriting and risk management is provided by our Board of Directors and its Underwriting and Risk Committees. For a further discussion on the role of our Board of Directors in the Company's risk management, see " *The Role of the Board of Directors in Risk Management*" below.

We have a disciplined approach to underwriting and risk management that relies heavily upon the collective underwriting expertise of our management and staff. This expertise is in turn guided by the following underwriting principles:

- we will underwrite and accept only those risks we know and understand;
- we will perform our own independent pricing or risk review on all risks we accept; and
- we will accept only those risks that are expected to earn a return on capital commensurate with the risk they present.

Before we review any natural catastrophe exposed insurance or reinsurance proposal, we consider the appropriateness of the client, including the quality of its management and its risk management strategy. In addition, we require each proposal to include significant information on the nature of the perils to be included and detailed aggregate information as to the location or locations of the risks covered. We further request information on the client’s loss history for the perils being insured or reinsured, together with relevant underwriting considerations. If a proposal meets the preceding underwriting criteria, we then evaluate the proposal in terms of its risk/reward profile to assess the adequacy of the proposed pricing and its potential impact on our overall return on capital as well as our corporate risk objectives.

We have fully integrated our internal actuarial staff into the underwriting and decision making process. We use in-depth actuarial and risk analyses to evaluate contracts prior to authorization. In addition to internal actuaries and risk professionals, we make use of outside consultants as necessary to develop appropriate analyses for pricing.

Separate from our natural catastrophe exposed businesses, we underwrite and accept casualty and specialty insurance and reinsurance business. We apply the same standards with respect to actuarial and risk analysis to these businesses using commercial data and models licensed from various professional service firms. As with our natural catastrophe exposed businesses, we seek to identify those casualty and specialty exposures that are most likely to be simultaneously influenced by significant events. These exposures are then jointly tracked to ensure that we do not develop an excessive accumulation of exposure to that particular type of event.

In addition to the above technical and analytical practices, our underwriters use a variety of tools, including specific contract terms, to manage our exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Additionally, our underwriters use appropriate exclusions, terms and conditions to further eliminate particular risks or exposures that our underwriting team deems to be outside of the intent of the coverage we are willing to offer. Our Bermuda underwriting location provides us with a particular advantage for certain lines of business because there are no regulatory limitations upon our use of coverage restrictions in insurance policies.

In our crop insurance business, we have invested in an experienced team of crop, commodity and economic analysts who have developed proprietary tools to manage risk, pricing and exposure in this business. These proprietary tools are constructed from databases that involve a comprehensive set of historical profit and loss experience data developed at a crop, state, county and farm level of detail. We further analyze this data based on current and forecasted crop growing conditions, agriculture commodity prices, and market conditions in an effort to produce attractive returns.

In certain cases, the risks assumed by the Company are partially reinsured with third party reinsurers. Reinsurance ceded varies by segment and line of business based on a number of factors, including market conditions. The benefits of ceding risks include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios, enabling the writing of additional business and ensuring our insurance businesses are of sufficient size to be considered a lead market for their products. Reinsurance ceded does not legally discharge the Company from its liabilities to the original policyholder in respect of the risk being reinsured. For more information on the Company’s reinsurance ceded, please see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Ceded Reinsurance” and Note 6 — “Reinsurance” in the Notes to the Consolidated Financial Statements of the Company.

Catastrophe Risk Management

To achieve our catastrophe risk management objectives, we utilize a variety of proprietary and commercially available tools to quantify and monitor the various risks we accept as a company.

We have licensed catastrophe modeling software from the principal modeling firms, including RMS and AIR. These software tools use exposure data provided by our insureds and ceding company clients to simulate catastrophic losses. We take an active role in the evaluation of these commercial catastrophe models, providing feedback to the modeling companies to improve the efficiencies of these models. We also supplement the model output in certain territories with the results of our proprietary models. We use modeling not just for the underwriting of individual transactions but also to optimize the total return and risk of our underwriting portfolio. We have high standards for the quality and levels of detailed exposure data provided by our clients and have an expressed preference for data at the zip code or postal code level or finer. Data provided at more summary levels, such as counties or CRESTA zones, is conservatively modeled and surcharged for increased uncertainty. We require significant amounts of data from our clients and decline business in which we feel the data provided is insufficient to make an appropriate analysis. Our commitment to detailed exposure data has precluded significant involvement as a retrocessionaire in the current market.

Data output from the software described above is incorporated in our proprietary models. Our proprietary systems include those for modeling risks associated with property catastrophe, healthcare liability, aerospace and marine, agriculture, property and workers' compensation business, various casualty and specialty pricing models as well as our proprietary portfolio risk management and capital allocation models. These systems allow us to monitor our pricing and risk on a contract by contract basis in each of our segments and business lines.

Data output from both our licensed and proprietary software models is used to estimate the amount of premium that is required to pay the long-term expected losses under the proposed contracts. The data output is also used to estimate correlation between both new business and our existing portfolio. The degree of correlation is used to estimate the incremental capital required to support our participation on each proposed risk, allowing us to calculate a return on consumed capital. Finally, the data output is used to monitor and control our cumulative exposure to individual perils across all of our businesses.

Our pricing of catastrophe reinsurance contracts is based on a combination of modeled loss estimates, actual ceding company loss history, surcharges for potential unmodeled exposures, fixed and variable expense estimates and profit requirements. The profit requirements are based on incremental capital usage estimates described above and on our required return on consumed capital.

Loss Reserving Risk Management

Establishing reserves for losses and loss expenses, in particular reserves for the Company's long-tail lines of business, constitutes a significant risk for the Company. Loss reserves do not represent an exact calculation of liability, but instead are estimates of what the Company expects the ultimate settlement and administration of claims will cost. To the extent the Company determines that actual losses and loss expenses exceed the loss reserves recorded in our financial statements, the Company will be required to increase its reserve for losses and loss expenses which in turn could cause a material reduction in the Company's profitability and capital.

The Company manages the risk inherent in estimating the Company's reserves for losses and loss expenses in a variety of ways. First, the Company underwrites a balanced and diversified portfolio of business, which reduces the Company's susceptibility to reserving errors that may be associated with any one line or type of business. In 2010, the Company's largest single line of business represented 27.6% of the gross premiums written by the Company. Second, where loss development uncertainty exists, the Company makes select use of the purchase of reinsurance to reduce the Company's exposure to such loss development uncertainty, in particular in our insurance lines of business. Third, the Company incorporates uncertainty in loss trends into its underwriting pricing process. Finally, in its reinsurance business, the Company conducts active, regular audits of its ceding company clients with the intent of identifying quickly and thoroughly exposures assumed by the Company.

The Company's reserving process also serves to mitigate the risk associated with the Company's loss and loss expense reserve estimates. The Company seeks to base its loss reserve estimates upon actuarial and statistical projections derived from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors. The Company continually refines both its loss reserve estimates and the means by which its loss reserve estimates are derived, incorporating an ongoing process of developing loss experience, reported claims and claims settlements.

Investment Risk Management

Investment risk encompasses the risk of loss in our investment portfolio potentially caused by the adverse impact on our invested assets from fluctuations in interest rates, equity prices, credit spreads, foreign currency rates and other market changes.

The Company manages its investment risks through both a system of limits and a strategy to optimize the interaction of risks and opportunities. To ensure diversification of the Company's investment portfolio and avoid aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on our investment portfolio, and monitored on an ongoing basis. The Company manages its interest rate risk through an asset liability management strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities and the anticipated interest rate environment. The Company manages foreign currency risk by seeking to match the Company's liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets including cash and investments that are denominated in such currencies. In order to limit the Company's exposure to credit risk, the Company's investment policy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories and any one issuer. The Company Investment Policy sets limits for individual credit exposures based on credit rating.

The Company uses a number of capital-at-risk models, which include volatility-scenario based measures and value-at-risk ("VaR") and credit impairment calculations to evaluate its investment portfolio risk. Volatility scenario-based measures are used in order to stress test the portfolio for expected changes in specific market scenarios. VaR is a probabilistic method of measuring the potential loss in portfolio value over a given time period and for a given distribution of historical returns. Portfolio risk, as measured by VaR, is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. For a one year period over 95% of the time, assuming the risks taken into account in the VaR model perform in accordance with their historical tendencies, the investment portfolio loss for a year period was expected to be less than or equal to 3.3% at December 31, 2010. The Company adjusts its scenarios for a variety of extremes as well as expected outcomes. Management continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.

Operational Risk Management

Operational risk represents the risk of loss as a result of inadequate or failed internal processes, system failures, human error or external events. Operational risks include, for example, employee or third party fraud, business interruptions, inaccurate processing of transactions, information technology failures, the loss of key employees without appropriate successors, and non-compliance with reporting obligations.

The Company seeks to mitigate operational risks through the application of strong process controls throughout our business. Key process controls include underwriting authority letters, underwriting referral protocols, claims procedures guidelines, financial reporting controls and procedures, information technology procedures, the disaster recovery plan and the business continuity plan. The Company's internal audit department and operational audit personnel rigorously test the Company's various process controls on a regular basis.

The use by the Company of the services of unaffiliated third parties exposes the Company to heightened operational risks, including the risk of information technology and physical security breaches, fraud, non-compliance with laws and regulations or internal guidelines and inadequate service. The Company mitigates the operational risk posed by the use of third party vendors by verifying, among other items, a potential third party vendor's financial stability, ability to provide ongoing service, business continuity planning and its business reputation. The Company also allocates appropriate resources to monitor any significant third party relationships.

Role of the Board of Directors in Risk Management

The Company's Board of Directors administers its risk oversight of the Company through quarterly meetings of its Risk Committee with members of senior management, including representatives from the Actuarial, Claims, Finance, Internal Audit, Investment, Legal and Underwriting functions within the organization. The Risk Committee's members review with senior management the Company's enterprise risk management framework and related policies, processes and procedures.

The Risk Committee members review with management the methods utilized by the Company to identify and quantify risks associated with the Company's business and operations and the Company's established risk tolerances and evaluate the Company's professional development plans for key risk management functions. In particular, the Risk Committee members monitor the Company's key risks, risk based capital position relative to internal standards and the requirements of the Company's regulators and rating agencies and the Company's stressed liquidity position based upon a series of adverse cash flow scenarios and periodically approves the level of risk assumed by the Company in its underwriting, investment and operational activities.

Investments

We follow an investment strategy designed to preserve book value growth and generate appropriate risk adjusted returns while providing sufficient liquidity to meet the needs of the Company. The portfolio is designed to diversify risks, including interest rate, credit and structure risks. Our investment portfolio is managed by our Chief Investment Officer and a team of investment professionals. Our investment team is experienced in direct portfolio management, asset allocation, managing external investment manager relationships, risk management and auditing and accounting. Our investment team uses specialized analytical tools to evaluate risk and potential investments to facilitate a risk managed, opportunity oriented approach to investing consistent with the requirements of the Company's investment policy. We utilize external portfolio managers to oversee most of the day-to-day activities of our investment portfolio, and our investment professionals actively monitor our investment managers' performance within the established investment policy of the Company. During 2009, we also began managing a portion of our investment portfolio internally. Internally managed assets were 6.2% of total invested assets at December 31, 2010.

In assessing the quality and risk associated with our investment portfolio, we utilize a number of capital-at-risk models, which include volatility-scenario based measures and value-at-risk calculations, to manage our aggregate investment risk exposures. Our capital-at-risk models also include the assessment of risk capital undertaken by Standard & Poor's ("S&P") and A.M. Best Company ("A.M. Best"). Volatility scenario-based measures are used in order to stress test the portfolio for expected changes in specific market scenarios. We adjust our scenarios for a variety of extreme as well as expected outcomes. Management continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time. In addition, management and the Board of Directors regularly reviews risk budget, investment allocations, risk exposures, expected returns and expected return on capital.

Our Investment Policy establishes authority for our investment activities and specifies risk tolerances and minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. This includes limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities or investing in certain industries. Our investment managers may be instructed to invest some of the investment portfolio in currencies other than U.S. dollars based upon the business we have written, the currency in which our loss reserves are denominated or regulatory requirements.

Our Investment Policy incorporates a traditional policy limit approach to each type of risk, thus setting a maximum amount of capital that may be exposed at any one time to particular types of securities and investment vehicles. We develop and maintain an investment risk profile and risk budget, which is reviewed by the Investment Committee of the Company's Board of Directors and includes estimates of the maximum and expected levels of risk relative to the Company's shareholders' equity that will be taken over a specified period. In determining our investment decisions, we consider the impact of various catastrophic events on our invested assets, particularly those to which our insurance and reinsurance portfolio may also be exposed, in order to protect our financial position. The investment risk profile is reviewed by the Investment Committee and is revised quarterly based on market conditions and developing needs of the Company. In addition, as part of our risk management processes, we maintain a watch list of securities that management considers to be at risk due to industry and or company specific issues and or securities potentially subject to future impairments. These securities are subjected to further internal analysis to evaluate their underlying structures, credit characteristics and overall industry and security specific fundamentals until they are sold, mature or it is deemed that further review is no longer necessary.

For additional information on the Company's investment portfolio, please see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investment Portfolio" and Note 3 — "Investments" in the Notes to the Consolidated Financial Statements of the Company.

Ratings

Financial strength ratings have become an increasingly important factor in establishing the competitive position of insurance and reinsurance companies. Endurance Holdings and certain of its operating subsidiaries maintain a financial strength rating at Moody's of A2, with a stable outlook, an A.M. Best rating of "A" (Excellent), with a stable outlook, and an S&P rating of "A" (Strong) with a stable outlook. All three ratings agencies conducted reviews of Endurance Holdings during 2010.

The objective of S&P's, A.M. Best's and Moody's rating systems is to provide an opinion of an insurer's or reinsurer's financial strength and ability to meet ongoing obligations to its policyholders and debt holders. These ratings reflect S&P's, A.M. Best's and Moody's opinions of our capitalization, performance and management, and are not a recommendation to buy, sell or hold the Company's securities.

S&P maintains a letter rating system ranging from "AAA" (Extremely Strong) to "R" (Under Regulatory Supervision). Within these categories, "AAA" (Extremely Strong) is the highest, followed by "AA+", "AA" and "AA-" (Very Strong) and "A+", "A" and "A-" (Strong). Publications of S&P indicate that the "A+", "A" and "A-" ratings are assigned to those companies that, in S&P's opinion, have demonstrated strong financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. These ratings may be changed, suspended, or withdrawn at the discretion of S&P. The rating "A" (Strong) by S&P is the sixth highest of twenty-one rating levels.

A.M. Best maintains a letter scale rating system ranging from "A++" (Superior) to "F" (In Liquidation), and includes 16 separate ratings categories. Within these categories, "A++" (Superior) and "A+" (Superior) are the highest, followed by "A" (Excellent) and "A-" (Excellent). Publications of A.M. Best indicate that the "A" and "A-" ratings are assigned to those companies that, in A.M. Best's opinion, have demonstrated an excellent ability to meet their obligations to policyholders. These ratings are subject to periodic review by, and may be revised at the sole discretion of, A.M. Best. The rating "A" (Excellent) by A.M. Best is the third highest of 16 rating levels.

Moody's maintains a letter rating system ranging from "Aaa" to "C." Within these categories, "Aaa" is the highest, followed by "Aa" and "A." Within each of these categories, ratings are further broken down into "Aa1," "Aa2" and "Aa3." Ratings may be changed, suspended, or withdrawn at the discretion of Moody's. The rating "A2" by Moody's is the sixth highest of twenty-one rating levels.

Competition

The insurance and reinsurance industries are mature and highly competitive. Insurance and reinsurance companies compete on the basis of many factors, including premium charges, general reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments, reputation and experience in the particular risk to be underwritten, the jurisdictions where the reinsurer or insurer is licensed or otherwise authorized, capacity and coverages offered and various other factors. These factors operate at the individual market participant level and in the aggregate across the insurance and reinsurance industry more generally. In addition, background economic conditions and variations in the insurance and reinsurance buying practices of insureds and ceding companies, by participant and in the aggregate, contribute to cyclical movements in rates, terms and conditions and may impact industry aggregate financial results.

We compete in the Bermuda, U.S., London and international insurance and reinsurance markets directly with numerous other parties, including established global insurance and reinsurance companies, start-up insurance and reinsurance entities, as well as potential capital markets and securitization structures aimed at managing catastrophe and other risks. Many of these entities have significantly larger amounts of capital and more employees than we maintain and have established long-term and continuing business relationships throughout the industry, which can be a significant competitive advantage.

Employees

As of December 31, 2010, we had 820 full-time employees. We believe that our employee relations are satisfactory. None of our employees are subject to collective bargaining agreements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENDURANCE SPECIALTY HOLDINGS LTD.

Date: May 24, 2011

/s/ Michael J. McGuire
Name: Michael J. McGuire
Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.
32	Certifications Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

Endurance Specialty Holdings Ltd.
Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a)

I, David S. Cash, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Endurance Specialty Holdings Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 24, 2011

By: /s/ David S. Cash
Chief Executive Officer

Exhibit 31.2

Endurance Specialty Holdings Ltd.
Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a)

I, Michael J. McGuire, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Endurance Specialty Holdings Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 24, 2011

By: /s/ Michael J. McGuire
Chief Financial Officer

Exhibit 32

Endurance Specialty Holdings Ltd.
CERTIFICATION PERSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with Amendment No. 1 to the Annual Report on Form 10-K of Endurance Specialty Holdings Ltd. (the "Company") for the annual period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (1) to the best of his knowledge the Report fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 24, 2011	By: /s/ David S. Cash David S. Cash *Chief Executive Officer*
Date: May 24, 2011	By: /s/ Michael J. McGuire Michael J. McGuire *Chief Financial Officer*

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.