

AEGIS Risk Management Advisory Committee Meeting

D&O: AEGIS + Endurance = Success

November 17, 2010

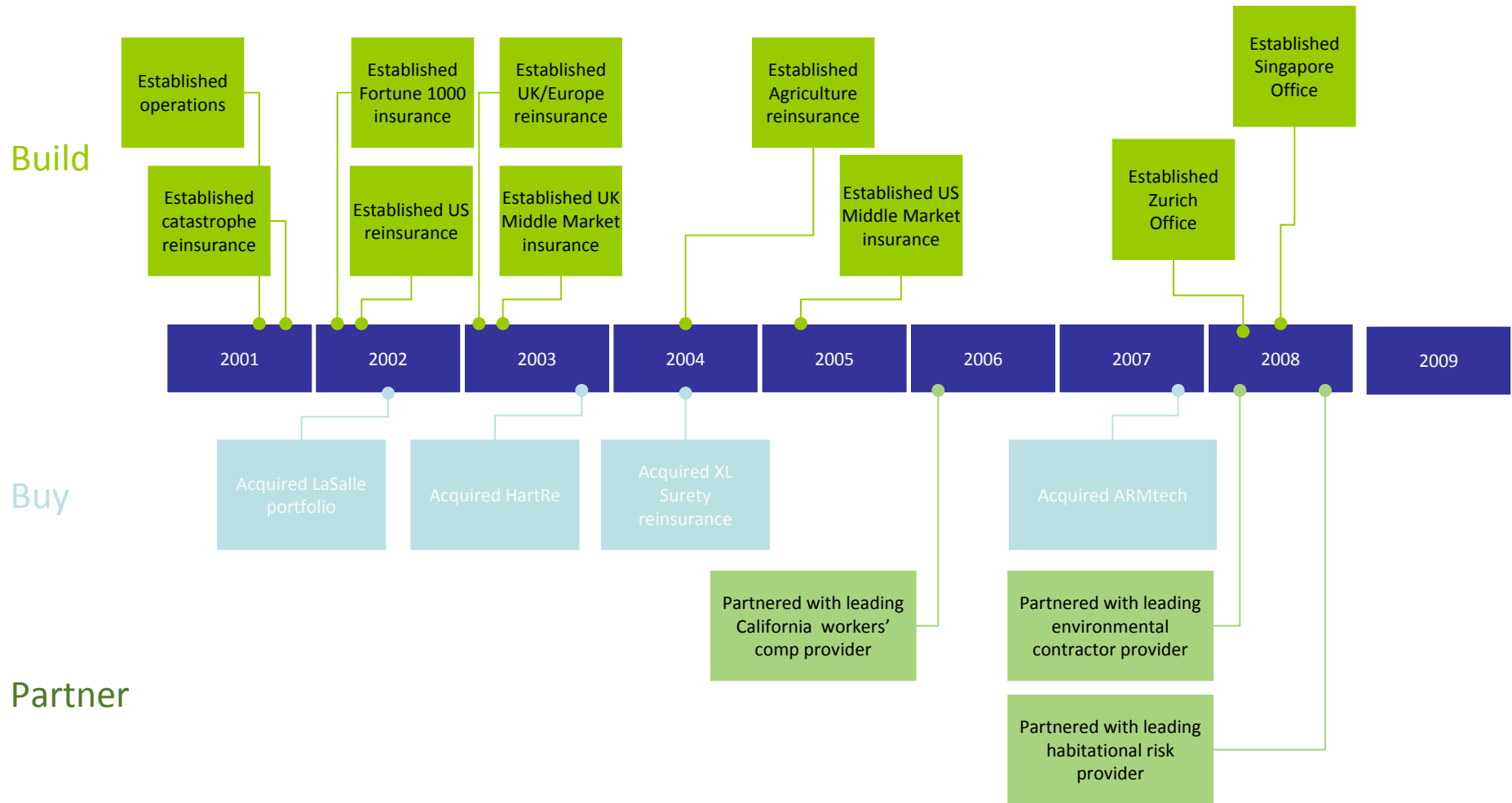


Agenda

- Endurance
 - History
 - Offerings
 - Financial Strength
- AEGIS / Endurance D&O
 - Capacity
 - Claims Handling
 - Underwriting Capability
 - Coverage Features
 - Underwriting Team
 - Success to Date
- Feedback / Suggestions / Questions

Growth through specialization

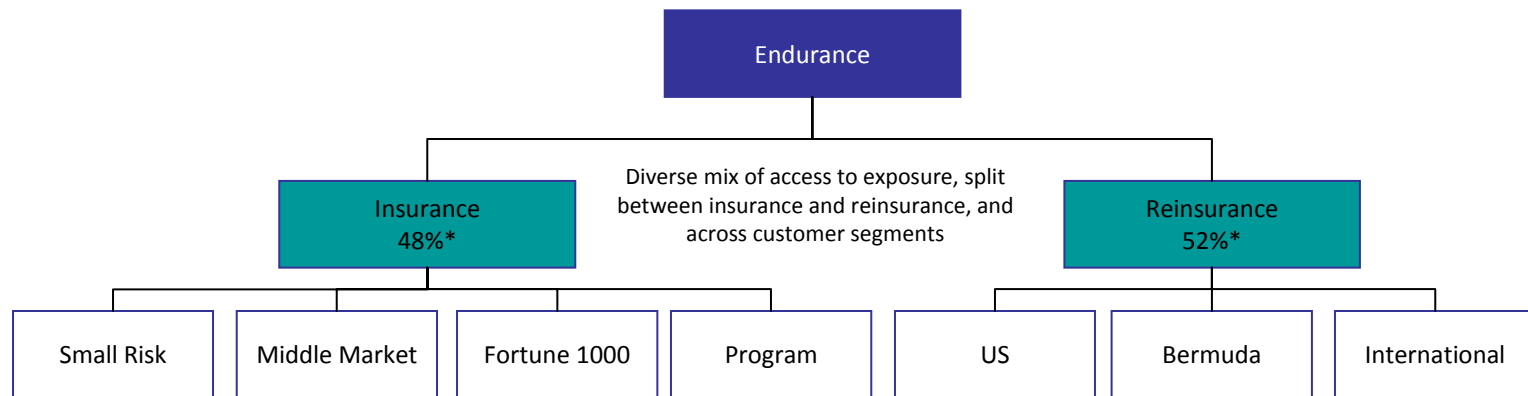
We have a strong track record of entering new businesses to meet our strategic aims



Introduction to Endurance Specialty Holdings

- Founded in 2001
 - Focused on the creation of shareholder value through the building and management of a diversified portfolio of specialized businesses
- Strong Market Positioning
 - Widely diversified, global specialty insurance and reinsurance provider
 - Over 780 employees in offices across the United States, Bermuda, Europe, and Asia
 - Domiciled in Bermuda
- Solid Financial Foundation
 - Excellent financial strength with nearly \$8.5 BN in assets, \$3.4 BN in total capital and \$2.8 BN in shareholders' equity as of June 30, 2010
 - High quality (average rating of AA+), short duration (2.19 years), liquid investment portfolio
 - Prudent loss reserves (67.7% of reserves are IBNR)
 - Rated "A" by A.M. Best and Standard and Poor's and A2 by Moody's with stable outlooks
 - Received the highest ERM ranking of "Excellent" from Standard and Poor's
- Excellent historical financial results
 - Inception to date annualized operating ROE of 14.4%
 - 21.3% average annualized growth in book value per share plus dividends since inception

Business organization and competitive advantages



Each of our businesses are led by industry leading professionals with market expertise and maintain the following sources of competitive advantage

- ◆ Service and technology-based distribution strategy
- ◆ Strong local presences
- ◆ Strong product development
- ◆ Cost-efficient production

- ◆ Professional team with extremely strong underwriting experience
- ◆ Long-term relationships (over 20 years) with key brokers
- ◆ Very strong reinsurance relationships

- ◆ Individual risk underwriting model, as opposed to market share approach
- ◆ Very low historical loss ratio based on superior underwriting
- ◆ Deep distribution management capabilities

- ◆ Utilize technology to enhance control environment
- ◆ Multi-disciplined teams of professionals dedicated to program management and oversight
- ◆ Access to business through combination of insurance and reinsurance networks

- ◆ 3-pronged underwriting approach
 - Specialized
 - Relationship-based
 - Opportunistic
- ◆ Dedicated professional teams with skills tailored to each approach

- ◆ Face-to-face service model and access to global network of clients
- ◆ Industry leading underwriting margins
- ◆ Aggressive portfolio management
- ◆ Industry leading technology and modeling

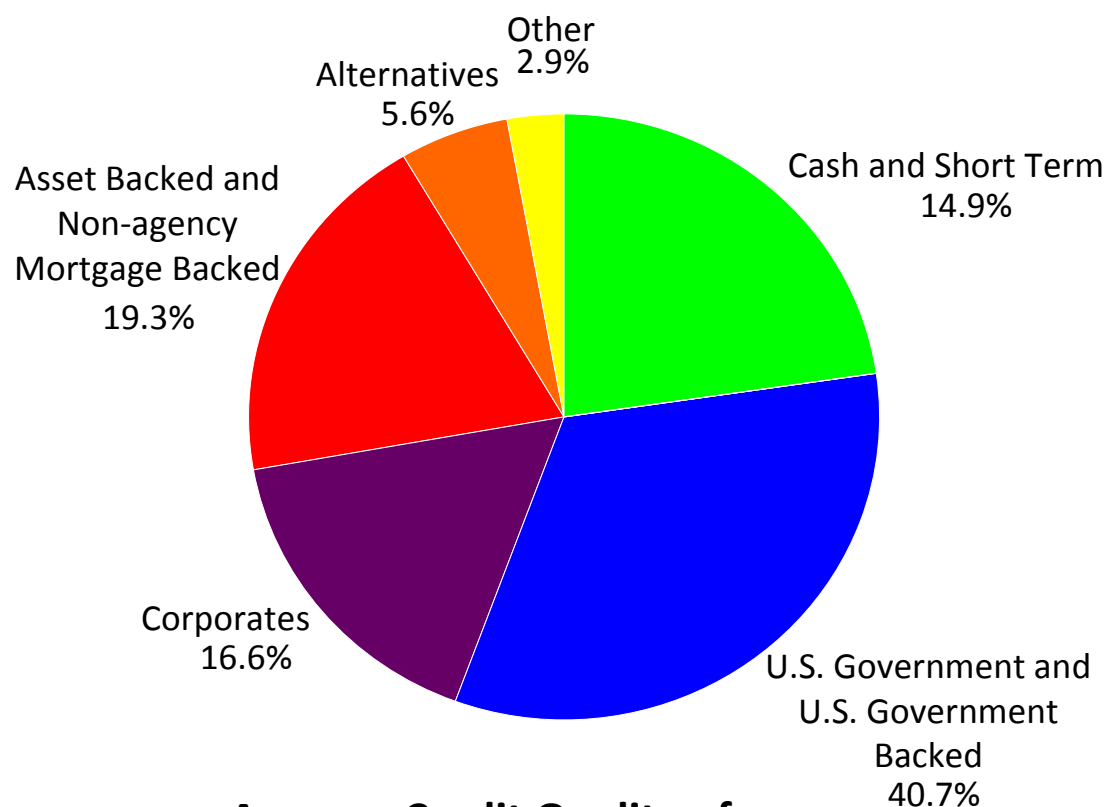
- ◆ Distinctive footprint and lean underwriting approach vs. most Bermuda competitors
- ◆ Shifting focus of business to Zurich and Singapore
- ◆ Strong local market presence with experienced professionals

Strong balance sheet

Endurance maintains a high quality, short duration investment portfolio

\$6.2 Billion Investment Portfolio as of June 30, 2010

55.6% of investments are either cash and short term or are U.S. issued or backed



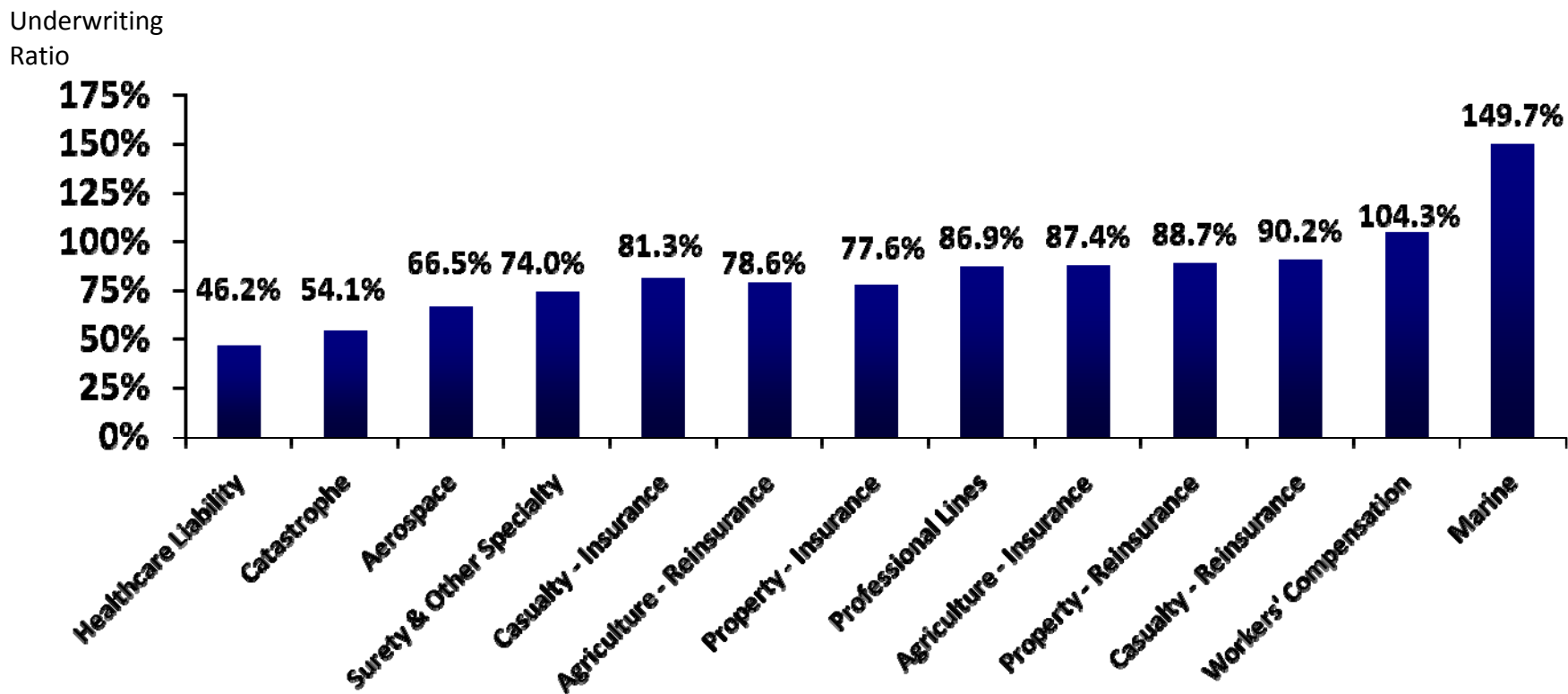
**Average Credit Quality of
AA+**

Investment Portfolio Highlights

- ◆ We have actively reduced the duration of the investment portfolio to 2.2 years from 2.9 years at the end of 2007
- ◆ Investment quality has remained high as the portfolio is conservatively managed
 - Less focus on corporates and no direct exposure to equities
 - Alternative portfolio is less than 6% of total investment portfolio
- ◆ Alternative assets of \$346.9 million comprised of direct investments in hedge funds (71% of portfolio) and high yield loan funds (29% of portfolio)
 - Modest leverage used by hedge fund managers
 - Hedge fund strategies split between event driven/opportunistic and credit/distressed

Underwriting results have been strong

Inception to Date Underwriting Ratio



Inception to Date Consolidated Underwriting Ratio is 79.6%

Balance sheet strength and durability

Our commitment to ERM supports superior performance

Optimally manage capital and risks

- ◆ Manage towards a required return on risk-adjusted capital
- ◆ Quantify risks taken and limit ones that threaten solvency/viability

Strong governance structure

- ◆ Senior management understands and values ERM as a source of competitive advantage
- ◆ Board of Directors highly skilled in insurance and finance

Clearly defined risk tolerances and controls

- ◆ Asset management: approach incorporates capital-at-risk limits, stress testing and ratings triggers
- ◆ Liability management
 - Concentration management
 - Delegated authorities

Corporate culture

- ◆ Ownership mentality
- ◆ Transparency and communication of ERM strategies



Best-in-class
ERM

“Excellent” ERM rating by S&P in 2008, affirmed in 2009
Youngest company and one of only five P&C companies in the world to achieve the highest designation

Side-A Directors & Officers Liability

➤ Significant Capacity

- Up to \$30M for both lead and excess Side-A DIC coverage
- Limits are in addition to existing AEGIS D&O ABC coverage

➤ Claims and Risk Management Capabilities

- Dedicated Endurance claims team with specialized D&O experience

➤ Underwriting Capability

- Underwriting team has extensive experience working with utilities and energy related companies
- Flexible attachment points based on specific risks
- Admitted paper in nearly every state plus the District of Columbia with state-of-the-art policy forms

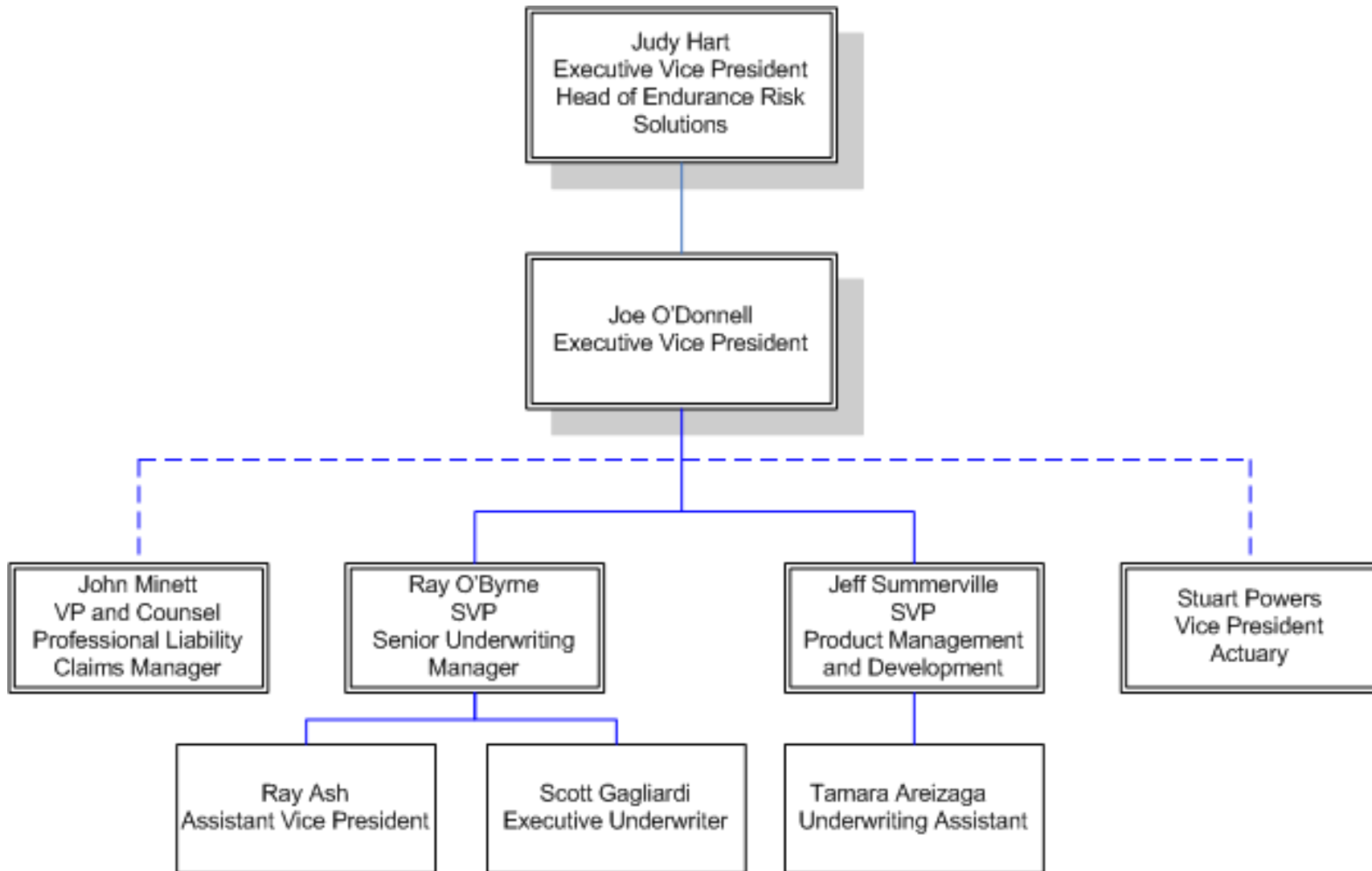
➤ Coverage Features

- Broad Difference in Conditions – DIC applies if the insurer of the underlying policies fails or wrongfully refuses to indemnify the insured persons or is financially unable to pay loss, rescinds coverage, does not cover the loss or is subject to the automatic stay under the bankruptcy code
- Broad definition of claim
- Insurer may not rescind the policy in whole or in part for any reason
- Policy cannot be canceled except in the case of non-payment of premium
- Policy exclusions are deleted if any underlying policy covers the loss

Continuity Credits

As AEGIS reinsures a portion of this cover, AEGIS D&O members who purchase this Endurance Side-A coverage will further benefit as the reinsurance premium flowing to AEGIS will be treated, for continuity credit purposes, as if received directly from the member.

Management Liability US Organization Chart



Success To Date

- Signed agreement in late July
- Attended AEGIS Policyholders' Conference in Denver
- Bound 7 accounts totaling \$605,000 in GWP
- Hit ratio on quoted business = 64% vs. average on entire book of 50%
- Have bound policies with limits of liability ranging from \$5mm to \$30mm
- Attachment points from \$145mm to \$350mm

