

January 31, 2011

Technical Director Financial Accounting Standards Board 401 Merrit 7 P.O. Box 5116 Norwalk, CT 06856-5116

Subject: File Reference No. 1890-100; FASB Discussion Paper Effective Dates and Transition Methods

Endurance Specialty Holdings Ltd. ("Endurance") appreciates the opportunity to provide comments to the Financial Accounting Standards Board ("FASB") on the Discussion Paper ("DP") *Effective Dates and Transition Methods*.

Background information

Endurance is a global specialty provider of property and casualty insurance and reinsurance. Through its operating subsidiaries, Endurance writes property, casualty, healthcare liability, agriculture and professional lines of insurance and property, catastrophe, casualty, aerospace and marine, and surety and other specialty lines of reinsurance. Endurance launched operations at the end of 2001 and is listed on the New York Stock Exchange (NYSE: ENH). We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Endurance had 796 employees as of September 30, 2010 and our gross premiums written were \$2.0 billion for the year ended December 31, 2009 and our shareholders' equity was \$2.8 billion at December 31, 2009.

The proposed new standards which will affect Endurance most significantly are insurance contracts and accounting for financial instruments. As our primary business is providing insurance and reinsurance, the proposed insurance contracts standard will have the most significant impact on the way we record and present transactions. Also, due to our significant investment portfolio (approximately 71% of our assets at December 31, 2009), the proposed changes to accounting for financial instruments will also significantly impact our business. Both of these standards will require an in-depth review of all insurance and reinsurance contracts written and financial instruments, respectively, to determine their appropriate treatment and measurement under the respective standards. Our information systems will need to be evaluated and significant changes are likely to be required to calculate, store and analyze the information required to comply with the proposed standards. Our existing process and controls for all significant business cycles will need to be evaluated and new processes and controls will need to be created. In addition, significant time and expense will be required to train management, employees, the Board of Directors and other stakeholders on the new requirements and disclosures to ensure the standard is applied correctly, and to develop an awareness of the new standard and its impact on results of the company.



Due to the recent announcement to delay the financial statement presentation and financial instruments with characteristics of equity projects, we have excluded these projects from our letter.

Issue 1: Preparing for and transitioning to the new requirements

The proposed standards on insurance contracts and accounting for financial instruments are the most significant to our business as discussed above. We will need a substantial amount of time to learn the requirements of the new standards and evaluate their impact on our business, develop new information systems, train our finance staff and others involved in the financial reporting process (including our Board of Directors and third party investment accounting providers) and to implement the new requirements. We anticipate that we will need approximately 2 years to understand and implement the new requirements. We would need an additional 3 years to complete implementation of any new information systems required and to acquire comparative numbers (if retrospective adoption is required), therefore a total implementation period of 5 years would be required for Endurance to retrospectively adopt the proposed standards. Additionally, given the significant changes proposed by these standards, we encourage the FASB to allow sufficient time to thoroughly field test and re-expose, as necessary, the proposed standards before finalization.

We have not yet undertaken a detailed cost analysis of the impact of these proposed standard on our business, however we expect to incur the following costs, in order of significance: modifying information systems and/or developing and implementing new information systems; modifying existing processes and controls and creating new processes and controls; communication and training; additional staff and consulting staff; and additional costs for internal and external audits of the new controls and disclosures.

Endurance is an insurance company and is required to hold a certain amount of capital for regulatory purposes. The proposed standards may impact the level of capital required to be held in the various jurisdictions we operate in, specifically Bermuda, the United States of America and the United Kingdom.

Regarding the proposed transition method for the financial instruments standard, we agree that a retrospective application is more useful to financial statement users. However, retrospective application will result in significant costs and will require a significant amount of time to prepare. In our view, the cost of producing retrospective information outweighs the benefit, and in some cases retrospective application may be impractical, as certain required information may no longer be available (i.e. values for unobservable inputs from two or three years ago).

Issue 2: Effective dates for the new requirements and early adoption

We would prefer a sequential approach for adoption of the new standards. A single date approach would put significant stress and pressure on individual companies, and also on the financial and accounting industry as a whole, as many companies would not be able to implement all the standards at the same time with existing staff, and therefore would need to outsource a significant portion of the implementation, including information systems development and implementation. Excessive reliance on outsourced staff will result in high costs charged by outsourcing organizations, and the expertise will not be retained within the company



once the consultant has completed the work. In addition, with a sequential approach to adoption, companies can focus on one standard at a time, and ensure it is thoroughly researched and accurately implemented, as opposed to trying to focus on multiple standards at the same time. We believe the sequential approach will also reduce implementation costs, as more of the implementation work could be performed in house, thus reducing reliance on consultants.

Regarding early adoption, we believe that to reduce confusion and increase consistency during the implementation period, the same adoption timeline and transition method should be required for all companies (i.e. all companies should apply the standards prospectively during the same reporting year).

Issue 3: International convergence considerations

We believe that the FASB and IASB should require the same effective dates and transition methods for their comparable standards, as this would help to increase the consistency between companies. However, we believe that if the standards are not sufficiently comparable (for example, the current status of the Insurance Contracts project), the effective dates and transition methods should be determined separately by each Board.

We are also concerned about the potential for back to back implementation of standards arising from adopting converged FASB standards, and then being required by the SEC to fully adopt IFRS. We believe that there is no benefit to investors for entities to adopt similar accounting standards twice in a short period, and in fact could cause confusion in the capital markets. This "dual adoption" would cost companies a significant amount of time and money to comply and require investors to devote more time and resources to evaluate the effects. We recommend that the FASB work with the SEC to avoid a "dual adoption" event, by considering the SEC's decision relating to IFRS in determining the final effective dates and transition methods for the proposed standards discussed above.

We appreciate the opportunity to provide our comments. Please feel free to contact Michael McGuire if you have any questions concerning our comments.

Yours sincerely,

Michael J. McGuire Chief Financial Officer

Endurance Specialty Holdings Ltd.