



September 25, 2012

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

Subject: File Reference No. 2012-200

Dear Technical Director:

Endurance Specialty Holdings Ltd. ("Endurance") appreciates the opportunity to provide comments to the Financial Accounting Standards Board ("FASB") on the Exposure Draft ("ED") *Disclosures about Liquidity Risk and Interest Rate Risk*.

Endurance is a global specialty provider of property and casualty insurance and reinsurance. Through its operating subsidiaries, Endurance writes property, casualty, healthcare liability, agriculture, professional lines and surety and other specialty lines of insurance, and property, catastrophe, casualty, aerospace and marine, and surety and other specialty lines of reinsurance. We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Our gross premiums written were \$2.5 billion for the year ended December 31, 2011 and our shareholders' equity was \$2.6 billion at December 31, 2011.

Endurance supports FASB's goals of improving financial reporting. Improved disclosures regarding liquidity and interest rate risks could enhance comparability of companies for the investors and other primary users of financial statement information. However, we have some concerns regarding the necessity of the proposed additional disclosures, the impact the disclosures would have on comparability between companies, the impact these disclosures would have on our financial reporting process, and the proposed definition of a financial institution.

Current U. S. GAAP disclosures are sufficient

We believe that the current U.S. GAAP disclosures for liquidity risks and interest rate risks as required by Securities and Exchange Commission Regulation S-K, Item 305(a), *Quantitative and qualitative disclosures about market risk*, are comprehensive and have successfully provided high quality financial information for users of our financial statements. These disclosures provide our investors with relevant, reliable, transparent, and decision-useful information which is comparable year over year and is familiar to users. We have not received any requests from our investors to provide any additional information on this topic, nor have we received any questions on the information we currently present. Therefore, we do not believe that investors require any additional disclosures regarding these specific risks.



Forward looking measures in the financial statements

Endurance believes that U.S. GAAP audited financial statements are not the appropriate place for quantitative risk disclosures given the subjectivity and forward looking nature of such items. Financial statements are historic reports of financial results and position, they are not forward looking reports. To the extent that such risks impact results or current valuation, such uncertainties and assumptions should be described in an entity's critical accounting policies, but attempts to quantify risks should be left to unaudited SEC disclosures, such as the MD&A.

Comparability between companies

We believe the proposed disclosures described in the ED will result in reduced comparability between companies for investors due to the judgment required to prepare the proposed disclosures. For example:

- In the liquidity gap maturity analysis, there may be differences in how entities determine the expected maturity classifications for financial assets and financial liabilities that have stated contractual maturities but incorporate other contractual characteristics (for example, prepayments on certain home loans).
- For the available liquid funds table, the FASB has not defined the term "high-quality liquid assets". Therefore entities would need to apply judgment when assessing whether a liquid asset is high quality, and this could result in divergent approaches between companies.
- For the repricing gap analysis, the ED provides three different approved methods to calculate duration for each class of financial instruments. This may result in a lack of comparability among entities.
- For the interest rate sensitivity table, the large rate move scenarios (+/- 200 basis points) may not be reasonable, as if this occurred, there may be changes to our investment strategy. Changes to investment strategy may not be taken into account by all companies, which could result in differences in disclosure.

The judgments required to produce these additional disclosures significantly increase subjectivity in the financial statement disclosures and correspondingly reduce the ability of auditors and other third parties to objectively verify these disclosures. We believe that any specific concerns with the current disclosures should be addressed using a targeted approach rather than introducing entirely new disclosures as proposed, which reduce comparability among companies.

Implementation, auditability, and costs

We believe that the proposed disclosures described in the ED are extensive, and will be difficult for our company to implement, as these disclosures will require significant time and effort. The time required to collect the data, build our information technology systems to report the data, and develop and implement controls over the data will be extensive and costly. In addition, the data would need to be audited, which would increase our audit fees. Some of the disclosures, including the liquidity gap maturity analysis and the interest rate sensitivity analysis, may be difficult to audit. Providing objective and auditable support for management's estimates may be difficult, and the existing information technology and systems which produce this information would need to be audited. Due to the fact that we believe that the existing



disclosures are adequate, we do not believe that the additional costs outweigh any benefits of these additional disclosures.

Differentiation between property/casualty insurance companies and life insurance companies

Endurance supports the proposed approach of differentiating between financial institutions and non-financial institutions. However, we do not agree with the inclusion of all insurance companies within the definition of a financial institution. Property and casualty ("P&C") insurance companies are inherently different from life insurance companies, in that P&C insurance companies generally do not perform asset liability matching. Instead, P&C insurance companies generally settle the majority of their liabilities with funds generated from operations. Additional liquidity is provided through highly liquid assets, such as U.S. government or municipal securities. Endurance does not have liabilities which are repriced, and our only repriced assets are floating rate notes. As such, the liquidity gap maturity analysis table, the repricing gap analysis table, and the interest rate sensitivity disclosures would not provide investors with useful information.

Regarding the specified time intervals required in the liquidity gap maturity analysis, P&C insurance companies' liabilities are subject to significant uncertainty regarding both the amount of the ultimate payment, and the timing of any such payment. Therefore this liquidity gap maturity analysis would be very difficult to complete and would contain a significant amount of management estimation and judgment. In addition, due to the uncertainty around this disclosure, we are doubtful that this information would be auditable.

Effective date and transition

Endurance supports a prospective approach for any additional disclosures required as a result of the ED. As discussed above, we believe that if these additional disclosures were required, it would be difficult for us to implement and would require significant time and effort. Therefore, if these disclosures are required, we would require at least two years to gather the required data, build our information technology systems to report the data, develop and implement controls over the data, ensure the data is auditable, and finally prepare the required disclosures.

Thank you for consideration of our comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael J. McGuire".

Michael J. McGuire
Chief Financial Officer
Endurance Specialty Holdings Ltd.