Dear Fellow Shareholders:

In last year's report we described Markel's "strategic evolution" which resulted in our heightened focus on marketing and underwriting specialty insurance products. This new focus began in late 1990 with the purchase of 100% of Shand Morahan and the Evanston Insurance Company.

We had previously owned a minority interest in these specialty insurance operations. Concurrent with this purchase, we sold our interests in our claims operations and Fairfax, a Canadian insurance holding company. The result was that Markel embarked on 1991 as a new company–far more focused than before and with a very simple organizational structure.

As we began 1991 we had two important short term goals. First was to improve our financial strength. This goal was achieved as we generated very substantial cash flow and reduced debt by $33 million. Our ambition is for long term debt to represent approximately 33% of our total capital. We should be very close to achieving this goal in 1992. The Company's financial strength was also enhanced by the fine performance of our investment portfolio, as market values improved and as we restructured the portfolio to improve our asset quality and reduce investment risk.

Clockwise from top: Alan Kirshner, Anthony Markel, Steven Markel

Our second goal was to capitalize on the opportunities provided by our new structure by leveraging the strengths offered by each of our businesses. Each company offers something different that can be utilized to the advantage of the others. The development of a unified business plan for 1992 will ensure we are working together with a common goal. Symbolic of our achievement of our second goal is the new logo which we proudly display on the cover of this report.

A New Symbol for a Focused, Unified Markel

Prior to our "strategic evolution" we encouraged the independent and autonomous operation of each business. We now believe we should make the fullest use of our experience and expertise by making those resources available throughout the Corporation.

Today, each business unit in the Markel family is focused on marketing and underwriting specialty insurance. Quality products and excellent customer service are common themes throughout. We strive to be a market leader in each of the products, programs, and services we offer.

The demand to achieve underwriting profits is a consistent part of our planning process. We manage our operations with a common mission. Of equal importance to the mission, however, is how we get it accomplished, The Markel Style. All members of the Markel team are expected to share this commitment to success.

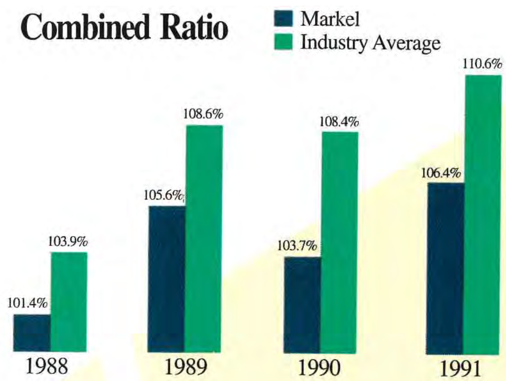
Our new logo with its bars ascending like our plans for the future is symbolic of the new Markel Corporation.

1991 Operating Results

We are very pleased with our 1991 financial results. Net income for the year was $14.4 million or $2.68 per share which is a record for our company.

In 1991 our total revenues were $225 million as compared to $73 million in 1990. Operating income was $38 million as compared to $14 million in 1990. We view operating income as a key indicator of our overall performance. It is a composite of underwriting, brokerage and investment results measured before amortization, interest and taxes.

In 1991 our combined ratio was 106%. When this number exceeds 100% we are operating at an underwriting loss which is contrary to our corporate objective. Our



underwriting loss was caused primarily by one program at our American Underwriting Managers (AUM) division. In this division, we lost $8.7 million in 1991 which represented 5 percentage points of our combined ratio. This program was discontinued and the division significantly downsized by year end. We believe we have made adequate provision for any resulting losses. Unfortunately, there is no simple excuse. It is now part of our history and we will not make the same mistakes again. The good news is, of course, that the majority of our products are being underwritten profitably and on a consolidated basis, excluding AUM, we are close to achieving our goal of earning underwriting profits. We believe we can–And we will!!!

Our brokerage business provided good returns in 1991 but were slightly behind 1990 results. We view the Markel/Rhulen operation as part of our underwriting business since we retain the risk on a large part of this business. As previously reported, the Nurses Malpractice Division was sold in the first quarter of 1991 and the Governmental Programs Division in January, 1992. As a result, pure brokerage business is no longer a significant part of our business strategy.

Investment returns were very good in 1991. We enjoyed the recovery in the stock market and achieved a total return of 38% from our investment in equities. This included both gains which we realized and the recovery of unrealized losses which do not impact earnings, but are recorded as part of stockholders' equity.

Amortization expense for the year was $8.9 million. This represents a reduction to earnings per share of approximately $1.16 related to non-cash items. The majority of this amortization expense relates to items which will be fully amortized in 1994. Interest cost, primarily resulting from the financing of the Shand/Evanston acquisition in late 1990, was $11.5 million. We expect to significantly lower this in 1992 due to reduced debt levels and lower interest rates.

Return on stockholders' equity was 21% for 1991. While we are pleased with these results, we think it's even more significant that over the past five years return on equity has averaged 25%.

Investments

Total cash and investments were $436 million at year end. This amounts to approximately $82 per share. In early 1991 we reviewed and modified our investment policy and established new guidelines. Our investment philosophy balances the needs of policyholders with those of shareholders and recognizes the Company's financial and underwriting leverage. While we seek to earn excellent investment returns, we must first assure the adequacy of our capital so we can underwrite insurance.

During 1991 we improved the quality of our fixed income portfolio and reduced exposure to convertible bonds. Today we believe this portfolio is high quality and very liquid and will meet our future obligations to our policyholders.

The Company continues its policy of investing in common stocks, but we prudently limit our investment in equity securities in relationship to our capital base and our financial and underwriting leverage. While the greatest long-term investment returns can be achieved by investing in this sector of the market, the short term implications of this strategy are more volatility and uncertain realized gains. Total return from investing in common stocks was 38% in 1991, but over the past four years was 15%.

Contingent Note Adjustment

It is now five years since Fairfax and Markel originally acquired Shand/Evanston and the adjustable notes related to this acquisition are now subject to final determination. At year end our reserves reached the level at which there is, we believe, no principal or interest owing on these notes. The original sellers of the company have disagreed with our reserve estimates and we are in the process of resolving this matter. While some uncertainty exists with regard to the outcome of this process, we do not expect the results to cause any material adverse impact on our financial position or operating results.

The Future

In each of the past several years, we have correctly forecast the continuation of the relatively soft and very competitive insurance cycle. Fortunately, our specialization in unique product niches somewhat protects us from the most competitive forces in the market.

Is this year any different? Not really. We expect the market to continue to be very competitive.

The good news is that we are certain to be one year closer to the next hard market and there are some factors which may indicate a change in the cycle. Industry pricing continues to lag. Increasing claims costs and lower interest rates should slow or even reduce the industry's investment returns.

While we look forward to the day when we will have the wind to our backs, we are extremely proud of our achievements.

Since 1986, the year Markel became a public company, we have seen earnings grow from $5.0 million to $14.4 million, book value has grown from $3.42 per share to $15.59 per share and return on equity has averaged 25%. We would obviously be pleased to achieve similar results in the next five years–and believe we will.

Markel experienced some big wins in 1991. Perhaps the most visible was the adoption of our new logo as the meshing process continued between all the Markel Companies. The resulting financial success is apparent throughout this report.

Whenever an organization is built through acquisition, it takes time to fully integrate the various operations. Integrating the talent, knowledge and expertise of the Markel people and the cultures of the new Markel companies into The Markel Style is an ongoing process that we expect to be a priority for several years to come.

We see this as one of our best opportunities. As we work together as one organization, with common goals and a unified business plan, our future seems as limitless as the new symbol by which we are represented.

Alan I. Kirshner
President and Chairman of the Board

Anthony F. Markel
Executive Vice President

Steven A. Markel
Executive Vice President

Return on Equity and Book Value Per Share