2009

MARKEL®

TO OUR BUSINESS PARTNERS

We are pleased to present you with this year's annual report. During the course of this letter, and in the body of the attached financial report, we hope to fully describe our 2009 results, our progress on important operational and financial objectives during the year and our outlook and goals for the future.

While the tangible results we speak of in this letter will be discussed in financial terms, another important dimension exists at Markel. Namely, an organization filled with talented and dedicated individuals. Throughout the period of financial crisis, and in dealing with massive internal changes within our organization, you can be proud of the fact that the people of your company acted with integrity, dedication and skill at every turn.

All of us commit ourselves to the long-term success of Markel. Our Company consists of a corps of professionals who are proud of our history and achievements. We all look forward to building our culture and record of success for the next generation.

We enjoy a profound advantage by embracing a long-term horizon at Markel. We run and operate this business with a view of years and decades as opposed to quarterly and annual comparisons. We think that stands as a unique advantage in today's business world, and we intend to make the most of it. We use this freedom to make long-term decisions to build the value of this Company and your holdings over time. We appreciate our shareholder partners and the role you play in helping us maintain a culture of long-term business excellence in the face of a very short-term oriented world.

2009 RESULTS

Markel Corporation continues to enjoy an outstanding record of financial accomplishment. Over the years, we've adapted to whatever conditions we faced and found ways to grow the value of your

(in millions, except per share data)	**2009**	2008	2007	2006	2005	2004	2003	2002	2001
Gross written premiums	**$ 1,906**	2,213	2,359	2,536	2,401	2,518	2,572	2,218	1,774
Combined ratio	**95%**	99%	88%	87%	101%	96%	99%	103%	124%
Investment portfolio	**$ 7,849**	6,893	7,775	7,524	6,588	6,317	5,350	4,314	3,591
Portfolio per share	**$799.34**	702.34	780.84	752.80	672.34	641.49	543.31	438.79	365.70
Shareholders' equity	**$ 2,774**	2,181	2,641	2,296	1,705	1,657	1,382	1,159	1,085
Book value per share	**$282.55**	222.20	265.26	229.78	174.04	168.22	140.38	117.89	110.50
5-Year CAGR in book value per share[1]	**11%**	10%	18%	16%	11%	20%	13%	13%	18%

[1] CAGR—compound annual growth rate

Company. This year continues that longstanding tradition of long-term financial growth. We also continue the tradition of adapting, growing and changing as necessary to continue to produce excellent results over time.

The world does not stand still and neither do we. In 2009 a whirlwind of intense activity took place at Markel, and we look forward to reporting the developments to you as partners in our enterprise.

As to the headline numbers, during 2009 our underwriting operations produced a combined ratio of 95% on earned premiums of $1.8 billion. Our investing operations produced a total return on the portfolio of 13.2% with equity returns of 25.7% and fixed income returns of 9.8%. Combining underwriting and investing, our book value per share grew 27% from $222 per share to almost $283 per share.

While no single measure captures all of the value creation at Markel Corporation for its shareholders, we believe book value per share works as the best proxy. Over longer and more meaningful periods of time, such as 5 and 10 years, book value per share grew 11% and 15%, respectively. We produced these results during periods when investors in general earned low or negative returns.

The year-end 2009 book value per share of approximately $283 represents an all-time high. Our 20 year chart displays the progress of this and other financial measurements. To generate these returns despite the unfavorable fundamentals of a decade-long drought in the investment markets and a multi-year softening in the property and casualty insurance markets makes us happy. We hope the same holds true for you.

Since our public offering in 1986, we've grown the book value per share at a compound annual rate of 21.2%. This compares favorably to the growth of the S&P 500 of 9.3% over this time and stands as one of the better records in today's business world.

While we enjoy reporting these numbers and the balance of the financial figures in the rest of this report, they don't begin to describe the positive changes underway at Markel. To give you some sense of last year, here is a report on our 2009 "to do" list.

2009 "TO DO" LIST & PROGRESS REPORT

One Markel

Our One Markel initiative represents a fundamental restructuring of our Excess and Surplus

2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	20-Year CAGR[1]
1,132	595	437	423	414	402	349	313	304	406	412	44	21%
114%	101%	98%	99%	100%	99%	97%	97%	97%	106%	81%	78%	—
3,136	1,625	1,483	1,410	1,142	927	622	609	457	436	411	79	26%
427.79	290.69	268.49	257.51	209.20	170.95	115.45	112.55	84.64	81.77	77.27	14.54	22%
752	383	425	357	268	213	139	151	109	83	55	60	21%
102.63	68.59	77.02	65.18	49.16	39.37	25.71	27.83	20.24	15.59	10.27	11.69	17%
21%	22%	23%	26%	26%	31%	17%	25%	34%	35%	—	—	—

Lines business. The goal and objective of One Markel is simple. We want to make Markel easier to do business with, and we want to offer more of our products to more of our customers through our wholesale partners.

We seek to accomplish this goal by empowering our five regional offices to offer the entire line of Markel products to their wholesale partners. The regional offices are primarily responsible for underwriting, marketing, sales and customer service in the One Markel model.

At the same time, we strengthened and better organized our product line underwriting organization so that we can support the regions by providing specialized underwriting expertise wherever and whenever a customer needs it. The product line group, led by our Chief Underwriting Officer, retains responsibility in the One Markel model for product development, underwriting guidelines and authority and pricing. It also supports the regions in our marketing and sales efforts and helps underwrite more complex risks.

Prior to One Markel, our business units acted largely as independent silos. Often they operated with unique underwriting, marketing, information technology and administrative approaches. While we always centralized critical functions such as actuarial reviews, investments and balance sheet responsibility, we didn't integrate the underwriting and marketing efforts throughout the organization.

This legacy stems from our history of acquisitions of companies located in different areas. This approach was successful in building the financial results of the company for decades; however, it did not support scaling up and growing beyond a certain level. As Markel's product offerings widened, we realized we needed more effective ways to distribute our products. Problems such as difficulties in cross-selling and inadvertent competition between business units demonstrated a need to fundamentally alter our approach. Those challenges, along with our desire to increase the value of the Company, to more fully utilize our underwriting talent and expertise, to enhance the Markel brand and to create opportunities for our current and future colleagues, demanded a change to a new structure.

With One Markel, each regional underwriter carries sales and underwriting responsibility and authority. They enjoy access to all of Markel's wholesale products regardless of their location. Each product line group now carries the responsibility for the underwriting results of their products throughout the entire organization. Finally, and most importantly, each of our wholesale clients now connects with one Markel team, located in its region, who can deliver the full menu of Markel wholesale products.

It is impossible to overstate the degree of change this represents to our previous way of doing business. While any change such as this involves risk and fear of the new and unknown, the world we face changed, and we needed to adapt and move forward appropriately.

The important good news that we can share with you at this point is that the transition has gone well. We moved to the new model in all five regions in March of 2009 after running a prototype in our Mid South region for six months. This was nine months ahead of our original schedule. As you would expect, we experienced some bumps in the beginning. We wish to thank all of our wholesale business partners who worked with us and showed great patience as we dealt with transition issues. Due to their continued support, the Excess and Surplus lines segment was able to produce a solid 96% combined ratio in 2009.

While the current soft market conditions obscure the financial benefits of this simple yet powerful business structure, we can see from submission counts and customer feedback that we are on the right track. This is what our customers wanted and we are delivering it. We are confident that this change will produce meaningful opportunities for profitable growth when the property and casualty insurance cycle hardens.

Atlas

Atlas is our name for the systems and business process transformation that will ultimately support the One Markel business model. The goal of Atlas, like that of One Markel, is simple. The Atlas project should deliver the information systems and business processes we need to smoothly and seamlessly serve our customers and manage the insurance operations of Markel. For our customers, we need to offer easy online access to Markel and its products. Operationally we need to account for and manage the flow of business. Even more importantly, we need to use the information we gather to make better risk selection, pricing and marketing decisions every day.

With Atlas we will have unified systems to handle such operational functions as underwriting and policy issuance, claims, billing, agency relationship management and reinsurance. We also will operate with a centralized shared services capacity that should increase our operational speed, effectiveness and efficiency.

In 2009 Atlas began to deliver some of the individual projects to specific areas within Markel. For example we implemented the first phase of the agency management system, which will help us move closer to our customers. We also reorganized all of our administrative functions into shared services groups. This reorganization is already paying dividends in the form of simpler, more efficient and effective workflows throughout the Company. Finally, we made significant progress in establishing and documenting business requirements and have begun to build the systems.

Throughout 2010 the individual deliveries should continue. By the end of 2012, the project should be largely complete and functional throughout our Excess and Surplus Lines operations. 2010 will continue to show higher net costs for the Company as we complete the project. We expect that during 2011 we will be incurring lower costs for Atlas, and we will be operating more efficiently. The full implementation of Atlas will allow our organization to provide and manage greater volumes of business at lower costs.

Atlas is the most mammoth business systems and process project we have ever undertaken at Markel. In last year's report, we estimated that third-party vendor costs for Atlas would be approximately $100 million. Total costs were estimated at $160 million last year. Mostly due to a better understanding of the effort required to successfully deliver the project, we now believe that third-party vendor costs will be approximately $140 million and the total cost will be approximately $190 million. We are completely committed to the success of the Atlas project and will continue to look for ways to deliver the anticipated benefits at lower costs. The good news is that we have only spent approximately one-third of the total estimated cost to date and have opportunities to reduce costs further. We are pleased to see the early signs of success, and we look forward to continuing to report to you on the progress of this important project.

Markel International

Markel International produced a 91% combined ratio and $52 million of underwriting profits in 2009. Markel International has now produced underwriting profits in two of the past three years, missing only in 2008 as a result of hurricane losses. Immediately after our acquisition of Markel International in 2000, major reorganization and modernization efforts began. These efforts were not unlike those we are implementing in the United States today. Approaching the ten-year anniversary of its addition to the group, Markel International stands as one of the crown jewels of Markel.

Markel International's gross premium volume was $641 million, or 34% of the total gross premium volume at Markel in 2009. In contrast to the U.S. domestic market, the international market currently enjoys slightly more rational pricing and greater growth opportunities. We expect additional increases in the globalization of our business in the future.

During 2009 Markel International completed the acquisition of Elliott Special Risks in Canada. Markel International has done business with Elliott and its principals for over ten years. Elliott is one of the premier specialty insurance underwriters in Canada, controlling approximately $90 million of specialty professional liability and general liability business. This acquisition will allow us to meaningfully increase our Canadian business as we convert Elliott's writings to Markel International. In addition Elliott gives us the opportunity to cross-sell many of our existing product lines in Canada. We wish to welcome our new associates at Elliott to the Markel family.

In addition to Canada, Markel International has a network of offices in Spain, Singapore and Sweden. We also write insurance in over 150 countries around the world through brokerage relationships. We expect additional opportunities in the future to grow in markets such as India, China and Southeast Asia. Through Markel Syndicate 3000, Markel International is part of the Lloyd's market. Being part of the Lloyd's franchise provides regulatory and licensing advantages and efficiencies we will need as Markel International continues its geographic expansion.

Specialty Admitted Insurance

Markel Specialty produced a 99% combined ratio in 2009. In this division, we provide insurance directly to the consumer and to retail customers in various niche markets. Examples include children's summer camps, equine risks, motorcycles and boats, health and fitness clubs, student health, pet health, wedding insurance and other unique insurance coverages. We can design specific insurance products that meet the insurance needs of these unique risks. We often market our products in partnership with industry trade groups or affinity groups and include loss and safety engineering, as well as best practices, to reduce losses (and expenses) for our customers.

We enjoy a higher ratio of renewals in our specialty area compared to other areas at Markel, and have a reputation of industry leadership in many of our products. The stability and recurring nature of these insurance products provides a solid foundation and platform for growth in coming years.

In 2009 under the leadership of Mike Crowley, we increased our emphasis on providing specialty insurance solutions to the broader insurance markets. Our goal is to grow our retail and direct market share without disrupting or competing with our existing strong wholesale relationships. We also have increased our emphasis on sales and marketing to continue to grow this franchise. We expanded our product offerings with additional lines such as political campaign coverage and excess flood coverage in 2009. We also added a few select acquisitions of books of business and talented insurance professionals.

Markel Ventures

During 2009 we expanded our operations of non-insurance subsidiaries with the acquisition of Panel Specialists, Inc. (PSI) and Ellicott Dredge Enterprises. PSI provides laminated furniture products primarily to the college and university marketplace and to hospital and health care related sites. Ellicott manufactures dredges for transportation, mining and water management applications. Ellicott dredges were used to build the Panama Canal in 1907, and the company does business all around the world.

These two additions join our existing holdings of AMF Bakery Systems (a leading manufacturer of bakery equipment systems), which we acquired in 2005, and ParkLand Ventures (an owner and operator of manufactured housing parks), which we formed in 2008.

Beginning with the 2009 annual report, we will provide additional financial information on these businesses as they have grown to represent a meaningful aspect of Markel Corporation.

Strategically we believe the ongoing development of Markel Ventures will create value for Markel. All of these companies fit our longstanding investment discipline. As is the case in what we seek in our portfolio of publicly traded businesses, these businesses are profitable, with good returns on capital, they are run by management teams with equal measures of talent and integrity, they will use their profits to either grow their existing business or return the cash to Markel and we acquired them at fair prices.

As time goes by, Markel Ventures should assist us with several goals. First the businesses themselves have historically earned, and should continue to earn, excellent profits. They are all market leaders in their industries and enjoy a history of good returns. They provide basic goods and services that people need. As they grow over time, the profits they produce will accrue directly to Markel and benefit shareholders accordingly.

Secondly we can reinvest capital within the individual units or apply it elsewhere within the Markel Corporation structure as we choose. This power as a majority owner is very different than our position as a minority shareholder in a public company, as is the case in the remainder of our equity portfolio.

Finally ownership of these businesses will provide Markel with earnings and cash flow that are distinct and separate from our insurance holdings. This is a nuanced but important point. During times when Markel stock is selling for low valuations, financial markets and the regulatory and rating agency overseers tend to be very skeptical of companies repurchasing their own shares. All of the insurance regulators and rating agencies want more, not less, capital in insurance company subsidiaries. With non-insurance businesses held by Markel Corporation at the holding company level, we now will have cash flows that are independent of our insurance operations that create more of an option for us to deploy capital aggressively during inevitable stretches of difficult times. Purchasing power from having unrestricted cash to use during environments of low prices should enable us to increase the value of Markel in a unique way over time. Very few companies are in a position to follow or implement this strategy. We will make the most of our opportunity.

Management Development

Our goal is to make sure that Markel is immortal despite the fact that none of us enjoy that status. As such it is critical for the long-term health and development of your Company that the management team is refreshed and renewed continuously. Some of this renewal comes from existing managers taking on new roles and responsibilities. Some comes from the addition of new people into our organization.

During 2009 the changes in our business approach, the acquisitions of non-insurance subsidiaries and the turmoil in financial markets allowed us to aggressively strengthen the management team. Mike Crowley joined Markel to head the specialty insurance operations of the Company. Mike brought a long record of success and accomplishment in the insurance brokerage world to us, and his leadership of several marketing and new product initiatives should provide us with meaningful growth opportunities over time.

Britt Glisson moved into the role of Chief Administrative Officer of the Company. He leads the Atlas project and the shared services operation crucial to the One Markel approach. William Stovin and Jeremy Brazil assumed the leadership of Markel International. Gerry Albanese, after five years leading Markel International, returned to the United States to become Markel's Chief Underwriting Officer and lead our product line group. John Latham recently assumed responsibility for leading the sales and marketing efforts in the newly established regional offices.

Debora Wilson joined our Board of Directors in 2009. Debora oversaw the successful development of The Weather Channel at Landmark Communications. We are thrilled to have her perspective on building new businesses and managing the people and resources needed to accomplish the goal of profitable growth. We are also pleased to welcome Darrell Martin, our former Chief Financial Officer, back to our Board, where his financial expertise and his knowledge of the Company and our industry will be extremely valuable.

Countless other individuals assumed new roles and responsibilities during the year. Space prevents us from listing everyone, but an accurate and full report would include almost everyone in the Company.

Change often invokes fear of the unknown and a nostalgic longing for the way things used to be. That is a backward looking and futile approach that will produce disappointing results over time. The world spins and things change. As the senior leaders of Markel, we could not be more proud of the way our people have responded to the changes within Markel and throughout the entire marketplace.

Almost everyone in the Company has new responsibilities and new tasks. Throughout the year, the willingness and sense of challenge and adventure that our people have brought to the task has been gratifying. This spirit makes us optimistic that the organization will continue to respond, adapt and grow as new challenges and opportunities arise.

Some change, however, is not positive. It is with much sadness that we recognize the 2009 passing of Les Grandis, a member of our Board of Directors for over 20 years. As both a board member and as outside legal counsel, he provided sage wisdom, experience and insight during an important part of the Company's history. We are grateful for his service to the Company and his contributions to our growth.

New Products

With the addition of a Chief Underwriting Officer and the formation of product line groups, we are well positioned to add products and expand and upgrade existing products.

During 2009 we expanded our equine offerings by adding a team of experienced equine professionals at Markel International. We also hired experienced transportation and property insurance professionals to lead these product line groups.

We plan to re-enter the directors and officers liability market. We also added an experienced and successful team of underwriters to enter the trade credit risk market during 2010.

Finally we formed a product development team to help our Chief Underwriting Officer and product line leaders develop new product opportunities.

While the current soft property and casualty insurance market obscures our progress from these initiatives, we are excited about future growth as marketplace conditions stabilize and improve.

Although we completed many items on our "to do" list in 2009, a new list, with new opportunities and challenges, hangs on our refrigerator as we move through 2010.

INSURANCE MARKET COMMENTS

In 2009 our insurance operations produced a combined ratio of 95% on total earned premiums of $1.8 billion. While profitability improved, gross premium volume declined 14% from last year due to lower insurance market prices, depressed demand for insurance from the slower overall economy and governmental actions, which kept insurance industry capacity and supply intact when it would otherwise have failed and been withdrawn from the marketplace.

Our response to the difficult market conditions was as follows. One, we quickened the pace of our reorganization to One Markel as we believe that will produce growth opportunities both from increasing our penetration among our existing customers and allowing us to more easily seize opportunities. Two, we supported the growth of our international operations where more opportunities exist and irrational competition is not quite so prevalent. Three, we increased our emphasis on new product development. And four, we acquired Elliott Special Risks and several other smaller niche product lines.

We expect these actions, as well as the efficiency and responsiveness we are building into our organization, to allow us to make the most of the current environment and to produce reasonable underwriting results. We also expect these actions will enable us to handle meaningful increases in business volumes, at low incremental operating costs, when the insurance cycle improves.

We do not make any predictions as to when this will occur. We remain convinced, however, that sub-optimal industry profitability (i.e. underwriting losses) and AIG's government-sponsored exemption from free market forces must end. When this happens, we expect pricing for property and casualty insurance risks to improve meaningfully. We will be ready to make the most of that environment when it occurs.

INVESTMENT COMMENTS

Following the cataclysmic events in world financial markets in 2008, we enjoyed a meaningful rebound in 2009. The overall investment portfolio produced a return of 13.2% in 2009 with equities up 25.7% and fixed income returns of 9.8%.

We are very pleased with these results. Our strong balance sheet allowed us to weather the fierce storms of 2008. We endured and kept the losses in 2008 to a minimum despite the most difficult investment markets we've ever encountered. Keeping ourselves largely whole through the storm, coupled with our strong and highly liquid balance sheet, enabled us to continue to invest proactively in 2009.

During 2009 we steadily and consistently added funds to our equity portfolio. At year end, our exposure to publicly traded equities remains lower than our historical averages at 17% of the investment portfolio. While we increased our holdings during the year, we remained conservative and liquid due to continued softness in the insurance marketplace. When insurance market pricing firms and our premium writings grow, we will accelerate the pace of our equity investing.

In our fixed income operations, we enjoyed the rebound in pricing that occurred on our holdings of corporate debt securities. This area of the portfolio suffered the most during the financial crisis. The strength of our balance sheet allowed us to maintain our positions for the rebound. Going forward we will continue to allow the proportion of corporate debt securities to diminish as a percentage of our fixed income holdings. The job of our fixed income portfolio is first and foremost to secure and protect the insurance liabilities of Markel. We will seek additional returns over and above those offered by government-backed securities only with the funds we would willingly and prudently allocate to our equity portfolio.

Our equity portfolio allocation has and will continue to include publicly traded equities, corporate debt with equity like returns and majority-controlled non-insurance subsidiaries.

Protecting the balance sheet is always the most important goal in our investing (as well as in our insurance) operations. Great pricing opportunities in the financial markets, such as we saw earlier this year, mean absolutely nothing if we don't have the balance sheet and appropriate liquidity and cash flows to take advantage of them. Consequently we will always err on the side of conservatism to make sure we have the balance sheet strength to act in the long-term best interests of the Company.

We saw the value of maintaining our balance sheet strength over the last two years. Many previously blue chip financial institutions have been wiped out. Others exist only due to government influence and largesse. Their shareholders suffered total or near-total wipeouts. At Markel, management's investments in the Company represents the bulk of our personal net worth. We will never operate in such a way as to endanger the firm.

SUMMARY

We look forward to looking back on 2009 in the rear view mirror. It was a historic year of transformation at Markel. We survived the worst financial market storms seen in modern history. We earned a solid underwriting profit in a difficult insurance market. We fundamentally altered the basic operations of the Company with the move to the One Markel business model and the Atlas project. We protected our balance sheet during the crisis (by not being highly leveraged or hyper-aggressive before the crisis). We made substantial positive investment decisions during the year and enjoyed the good returns earned in our publicly traded equity and fixed income portfolios. We expanded our holdings of non-insurance operations to the point where they have now become meaningful to our overall performance.

While we would all prefer to be operating in an environment where insurance prices are going up, financing is easily available and economic growth is a given, we recognize that we are not. The world is not going to change to accommodate us, so we change to accommodate it.

We are faster, leaner and smarter as an organization than we have ever been before. We have talented, hard-working and dedicated associates throughout the Company. We have a healthy mix of proven veterans and younger managers with experience, energy and ideas. We've demonstrated a resilience and flexibility that produced success at Markel, while other firms failed. We gratefully thank our associates, customers and shareholder partners for working through and supporting these changes.

We pledge that we will compete effectively in whatever circumstances the future holds. The world is a big place, and the scope of our organization is wider, more talented and more nimble than at any time in the past. We look forward to continuing to build the culture and adding to the record of accomplishments at Markel.

Alan I. Kirshner
Chairman of the Board and Chief Executive Officer

Anthony F. Markel
Vice Chairman

Steven A. Markel
Vice Chairman

Thomas S. Gayner
Chief Investment Officer

Richard R. Whitt, III
Senior Vice President and Chief Financial Officer