2011

To Our Business Partners

Here is our 2011 annual report. Our goal in this report is, "to give you an overview of the corporation, our 2011 results and our plans and goals for the future." We put in the quotation marks because, other than updating the year to 2011, this was the exact phrase we used in the first annual report that Markel issued as a public company in 1986.

In 1986, it took us a grand total of 38 pages to cover the materials in the annual report with the letter taking the whopping total of one page. While our goals for communication remain exactly the same, immense regulatory changes in reporting practices and the wonderful growth of the business means that this year the report comes in at 138 pages. And the letter takes a bit longer too.

We apologize for the heft, but much has changed at Markel over the years, and we have a lot more to tell you in this report. We'll comment on 2011, as well as on longer term trends and developments at your company in the balance of this report. We also will try to give you some sense of why we are so optimistic about our future. We have a lot more ways to produce returns for you in 2012 compared to 1986. We believe we are on the cusp of a new and important era at Markel as a diverse financial holding company with global growth and profitability from our insurance, investment, and Markel Ventures industrial and service operations.

Make no mistake, 2011 was a challenging year. A series of record-setting catastrophes caused us to report an underwriting loss – the first since 2005, the year of Hurricane Katrina. As you know, our goal is to earn underwriting profits, and we have done so in seven of the last ten years. We remain committed to this goal and we are taking a series of actions in pricing initiatives, risk selection and efficiency measures to regain profitability in our insurance operations.

Financial markets also remained unsettled in 2011, still reverberating with aftershocks from the financial crisis of 2008. It was impossible to turn on a computer or see any news coverage that didn't include daily, throbbing reports of European debt and currency issues, unemployment problems, housing and mortgage market weaknesses or various and sundry other financial market problems.

(in millions, except per share data)	**2011**	2010	2009	2008	2007	2006	2005	2004	2003
Total operating revenues	**$ 2,630**	2,225	2,069	1,977	2,551	2,576	2,200	2,262	2,092
Gross written premiums	**$ 2,291**	1,982	1,906	2,213	2,359	2,536	2,401	2,518	2,572
Combined ratio	**102%**	97%	95%	99%	88%	87%	101%	96%	99%
Investment portfolio	**$ 8,728**	8,224	7,849	6,893	7,775	7,524	6,588	6,317	5,350
Portfolio per share	**$907.20**	846.24	799.34	702.34	780.84	752.80	672.34	641.49	543.31
Net income (loss) to shareholders	**$ 142**	267	202	(59)	406	393	148	165	123
Shareholders' equity	**$ 3,388**	3,172	2,774	2,181	2,641	2,296	1,705	1,657	1,382
Book value per share	**$352.10**	326.36	282.55	222.20	265.26	229.78	174.04	168.22	140.38
5-Year CAGR in book value per share[1]	**9%**	13%	11%	10%	18%	16%	11%	20%	13%

[1] CAGR—compound annual growth rate

Finally, we still have, and always will have, improvements we want to make to our business systems and processes. In 2012, the combination of increased revenues and greater efficiency should help reduce our expense ratio, but we know that there is more hard work to be done to get that measure in line with our goals.

Despite all of those factors, your company reported record revenues of $2.6 billion, an increase of 18% from the $2.2 billion in 2010, and a new record high book value per share of $352.10, up 8% compared to $326.36 a year ago. While these represent small advances and lower rates of increase than we would like, we are nonetheless pleased to be able to report these advances to you in a year with as many challenges as 2011.

We dream of the days when insurance market conditions are more favorable than they have been during the last several years. We even see tangible signs of that happening. We also look forward to steadier and sounder general economic and financial market conditions. We are optimistic that the financial markets are in fact healing.

We think that better external conditions are on the horizon, and we pledge our efforts to improve our daily execution of the business so that we can make the most of them.

Our record over time should give you some comfort in our prospects for the future. As always, we include a 20-year table with key financial highlights to demonstrate the long-term financial performance of your company and document the progress of Markel over a meaningful period of time.

One key reason why things have worked out so well for Markel over time is the environment of TRUST that exists at your company. We appreciate that you as shareholders have entrusted us with your capital to build the value of your investment over time. You've given us great latitude to pursue this goal without artificial constraints, and we've validated your faith in us by producing excellent results over time.

We work hard every day to maintain and build a level of trust around Markel because we think that makes our business better. It is almost magical to live in this environment and enjoy the mutual commitment that the people of this company feel towards each other and towards the company.

In this environment, we are all dedicated to building a legacy that goes beyond the simple matter of a job. In an environment of trust, individual skills are magnified and the business becomes something more than just the sum of its parts. That intangible essence is the secret behind the decades of success at Markel and what we are working diligently to increase over time throughout our growing array of insurance and Markel Ventures operations.

In some ways, trust is the key factor in the overall economic environment as well. Prior to the 2008 financial crisis, most people were willing to enter into transactions and engage with one another in an environment of trust. People trusted the veracity of what was on the mortgage application. People trusted that

2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	20-Year CAGR[1]
1,770	1,397	1,094	524	426	419	367	344	280	235	206	223	13%
2,218	1,774	1,132	595	437	423	414	402	349	313	304	406	9%
103%	124%	114%	101%	98%	99%	100%	99%	97%	97%	97%	106%	—
4,314	3,591	3,136	1,625	1,483	1,410	1,142	927	622	609	457	436	16%
438.79	365.70	427.79	290.69	268.49	257.51	209.20	170.95	115.45	112.55	84.64	81.77	13%
75	(126)	(28)	41	57	50	47	34	19	24	26	14	12%
1,159	1,085	752	383	425	357	268	213	139	151	109	83	20%
117.89	110.50	102.63	68.59	77.02	65.18	49.16	39.37	25.71	27.83	20.24	15.59	17%
13%	18%	21%	22%	23%	26%	26%	31%	17%	25%	34%	35%	—

their houses would go up in value over time. People trusted that insurance companies would be there in the future to pay claims. People trusted that deposits in the bank were money good and so on and so on and so on.

In fact, people trusted too much without checking to see if it was really true. And in many cases the trust was violated.

Now, the opposite environment exists. People don't trust enough. Banks in general are not enthusiastic and trusting when it comes time to lend money. They want additional verification and documentation that might be erring on the side of not trusting enough. Investors and consumers in general seem to look at business propositions with a jaundiced eye. As such, they are entering into fewer transactions than they previously did in a different era and when they do transactions they are taking longer to get done.

All of this causes a slower, more ponderous and less vibrant economic environment.

We spent years in an environment of systemic goodwill and trust. Now we are wandering through a desert period of skepticism and distrust. We do not offer any guesses as to how long it will take to get through this era in the general environment, but we are optimistic that this too shall pass.

What we can do now though, and what we can control, is the environment within the walls of Markel Corporation. Thanks to decades of practice, leadership and continuous reinforcement, this is a company that demands trustworthiness from its people. As such, the amount of time we all spend working cooperatively and positively swamps the time we spend doubting or distrusting our colleagues. Consequently, we get a lot more done around here than would be the case if this were not an environment of trust.

That is an amazing culture and the true underlying reason for the long-term success of Markel Corporation and the key to our future.

We are confident that our culture continues to grow and develop in more corners of the world and in more and different businesses. While we enjoy an enviable track record of long-term growth and financial success, we remain a tiny company on the world stage. We've got a lot of room to grow.

We have immense amounts of runway to expand our insurance and Markel Ventures operations everywhere in the world. We are just getting started, and we're glad you're along for the ride. Buckle up.

Now, we get back to the three-part task of providing you with an overview of the corporation, a review of our 2011 results and our plans and goals for the future.

First — An Overview of the Corporation

Markel continues to strategically adapt and grow at rapid rates.

Two decades ago, we were a small, newly public, U.S. specialty insurance company.

One decade ago, we were a small, newly international insurance company.

Today, we are a diverse financial holding company with global insurance, investment and Markel Ventures operations all around the world.

As we stand today, Markel operates insurance companies in the International, Specialty and Excess and Surplus markets. We also own a diversified set of industrial and service businesses through Markel Ventures.

Throughout the years of building this array, we've earned good returns on the capital you have entrusted to us. We've successfully increased the scope and scale of the company over time, and we are excited about our prospects as we continue to do so.

International

In 2011, our International insurance operations wrote total gross premium volume of $825 million versus $709 million in 2010. The combined ratio was 116% versus 95% a year ago as this unit felt the biggest brunt of the record catastrophe year. The list of 2011's weather and catastrophe events sounds almost biblical with floods in Australia and Thailand, earthquakes in New Zealand, earthquakes and a related tsunami in Japan, and tornados and hurricanes in the United States.

Fortunately, the losses from each of these events were within our risk tolerances. What we didn't anticipate was the large number of significant catastrophic events.

Property and catastrophe insurance rates are moving up in response to these industry-wide losses. We will write catastrophe business when we think we are being adequately paid for the risks incurred, and we will also continue to be selective about what catastrophe-related risks we will write at all.

While our underwriting techniques and strategy are clearly better today than in 2005, the total number of events this year exposed the high stakes involved in insuring catastrophes. We will refine and review our exposures in view of this year's result and seek to improve the profitability of writing catastrophe business. If the market is not willing to pay an appropriate price, we are prepared to walk away from many catastrophe-exposed risks.

We continued to expand our international scope of operations with the opening of a new branch in Rotterdam, Holland. We also increased our presence in Sweden with two small acquisitions, opened our second office in Spain in Barcelona and opened small offices in Hong Kong and Beijing.

We are beginning to see rate increases on more and more of our international book of business, and we continue to enjoy immense expansion opportunities as we build the skill of operating a global business.

Specialty

Specialty gross written premium volume was $572 million in 2011 compared to $375 million in 2010 with a combined ratio of 109% versus 100% last year. Included in the 2011 Specialty numbers is gross premium of $227 million related to FirstComp.

We enjoyed our first full year of ownership of FirstComp and are pleased with its integration into Markel. As we have stated previously, 2011 was a transition year for FirstComp. During the year, we completed the conversion of its managing general agent operation to a risk bearing operation. We also transitioned the pricing and reserving approaches to be consistent with Markel's level of conservatism. The results for FirstComp came in within our expectations and as it regards premium writings, slightly ahead.

Additionally, we have laid the groundwork in 2011 to cross sell products in the future. We expect to offer FirstComp workers' compensation products through the Markel distribution channel and to distribute Markel's specialty products through FirstComp's producers.

Another benefit we have enjoyed from this acquisition is new leadership talent. There is depth and breadth of talent at FirstComp that ensures its success and which can be leveraged across the Specialty division.

All of these elements demonstrate that this is truly a win-win situation and how a good acquisition should work.

We also added several new programs in our Specialty division such as a wine program, Boys and Girls Clubs, garden centers and nurseries programs, renters' insurance and others.

In January 2012, we completed the acquisition of Thomco. Thomco is a program administrator with 30 years of operating history headquartered in Atlanta, Georgia. Thomco is led by Greg Thompson and Bob Heaphey who have joined the Markel team and will lead our Specialty program business.

Thomco has approximately 20 insurance program offerings such as medical transportation, senior living, childcare, fitness clubs, pest control and inflatable rental operators, among others. They have a distribution network of approximately 4,500 independent agents across 50 states.

Thomco represents an important addition to our product offerings and a major expansion of our Specialty book. This transaction closed during the first week of 2012 and should contribute in an increasing fashion throughout the year as programs are transferred to Markel's insurance companies.

Excess and Surplus

For the year, Excess and Surplus gross written premiums totaled $893 million versus $898 million a year ago. The combined ratio was 86% in 2011 versus 96% in 2010.

2011 continued to validate the One Markel business transformation program. We can see the effectiveness of the approach through increases in submission activity from our wholesale insurance distribution partners. Our producers are becoming more familiar and comfortable with the model and are finding it easier to access our menu of products.

Our goal when we started down the path of One Markel was to be "easier to do business with." We are pleased to report that the facts seem to indicate we are making progress in this goal.

The Excess and Surplus market tends to be the tail end of the whip of the insurance marketplace and rises and falls most dramatically in volumes and profitability during the course of a cycle. When the market is extremely competitive, the Excess and Surplus market suffers the most. The opposite is true when competition is decreasing and prices are improving. While 2011 remained a period of generally soft insurance pricing, we are encouraged by the trends we began to experience as the year progressed. Pricing appears to be improving and competition appears to be cooling in some lines. If these trends continue, they could greatly benefit our Excess and Surplus operations.

According to various industry-wide statistics, the insurance industry experienced the highest level of catastrophe losses ever of $105 billion. Given these losses and the ongoing low levels of interest rates, the insurance industry is unable to make an economic profit. This situation cannot persist. Sooner or later, the industry runs out of money to run out of. Sadly, the industry always seems to try to see how close they can get to that outcome before they come to their senses and change their operational and pricing behaviors.

We continue to get closer and closer to the day when insurance prices rise industry-wide and provide a more favorable operating backdrop for Markel. We will enjoy that time but make no mistake, we are not waiting until then to take actions which improve profitability now.

Markel Ventures

During 2011, other revenues, which primarily represent the Markel Ventures companies, rose 89% to $351 million versus $186 million in 2010. Earnings before interest, taxes, depreciation and amortization from the Markel Ventures operations rose 83% to $37.3 million from $20.4 million. For a reconciliation of Markel Ventures EBITDA to net income to shareholders, see the table on page 132.

During the year, we announced the acquisition of PartnerMD and of a controlling interest in Weldship. AMF and Ellicott, existing Markel Ventures subsidiaries, also made acquistions that added to the scope of their businesses.

PartnerMD is a concierge medical practice headquartered in Richmond, Virginia. We believe that PartnerMD has developed one of the answers to the problems facing our troubled medical system. While the business is small today, we expect many years of meaningful growth.

Weldship provides tube trailers and storage equipment for the industrial gas industry. Weldship is a leader in its industry and has operated since 1946. The company provides sales and leasing solutions to a variety of industrial companies. The company enjoys a long record of consistent, profitable growth and good returns on capital. We look forward to that continuing as part of Markel.

Both of these firms should benefit from the larger and permanent capital base of Markel Corporation. Their customers can be confident that these firms will continue to be permanent and reliable providers of the products and services they need. Current and future employees know that they can focus on serving their customers and building a business rather than worrying about the fate of their company.

Our belief, and what we have observed so far in Markel Ventures, is that our permanent capital base and long-term business focus create the best economic outcome over time.

We continue to look for additional acquisitions, and we expect more long-term growth from the Markel Ventures operations. As we have stated before, if you or someone you know owns a profitable business, with talented and honest management, capital discipline, and wishes to find a great long-term home for that business at a fair price, call us. We appreciate the first hand contact from principals looking to join Markel Corporation.

Investments

Our total investment return in 2011 was 6.5%. In our fixed income operations, we earned 7.6% and in our equity portfolio, we earned 3.8%.

Interest rates started the year low and went lower. As such, our total return exceeded the coupon, or natural return, that we would expect from the portfolio of bonds that we own. This is a two-way street and what we gained in excess return in 2011 we are likely to give back in 2012 or beyond. This is a matter of when, not if.

We believe that the natural level of interest rates is something other than zero. As such, we continue to own shorter term bonds than we would normally choose. This costs us current investment income but it protects our balance sheet and total return against a rise in interest rates. We've been concerned about this risk for a few years now and being early can be easily confused with being wrong about our view on the direction of interest rates.

We can't shake our concerns about the risks to bonds and interest rates from current government policies, and we will continue to exercise caution about accepting this risk on your behalf. We just don't think we're getting paid adequately to take this risk and, as such, we will act just like we do in our insurance business and effectively walk away from what we believe is an unwise deal for Markel shareholders.

In our equity portfolio, we continued to follow our historical and unchanging four-point discipline of seeking profitable businesses with good returns on capital, led by honest and talented managers, with reinvestment opportunities and capital discipline, at fair prices.

This four-point phrase should be familiar to long-term readers of this annual report because it has and will remain unchanged. These attributes are attractive at all times and guide our selection of publicly traded and privately held businesses.

We are pleased with the long-term returns we have earned following this approach and while our returns were modest in an absolute sense in 2011, they continued to be outstanding on a relative basis to appropriate bogeys. We continued to modestly and steadily add to our equity holdings throughout the year, and we expect more of the same in 2012.

We believe our equity portfolio is earning double-digit returns on an underlying basis and shows all signs of continuing to do so. Over time, if our analysis is correct, those returns will be reflected in market prices just as they have in the past.

Additionally, our equity investment commitment is increasingly at odds with general marketplace behaviors. In aggregate, individuals and institutions have steadily moved away from equity investments during this decade-plus period of unattractive returns.

Various labels such as alternative investments, hedge funds, private equity, commodities, bonds, FX trading, arbitrage and other categories of investment products continue to receive allocations from the investment community at the expense of ownership interests in businesses, i.e. stocks.

While equity returns may seem low today, we prefer the prospects of double-digit returns that we expect compared to the mathematical certainty of low single-digit returns available from high quality fixed income alternatives.

We also prefer these prospective returns given the low cost structure and tax efficiency we gain by managing our investments ourselves rather than farming that function out to others.

To demonstrate, say we invested $100 with an alternative asset manager who produced a spectacular 20% return, or $20 on our investment. Typically, we would be charged an asset management fee of 2% and a profit participation charge of 20%. The management fee would reduce our $20 to $18 right off the bat. The profit participation fee would further reduce that $18 to $14.40. Typically, these sorts of returns involve high amounts of trading, so assume that the $14.40 is taxed fully at a corporate tax rate of 35%. That reduces our after-tax net return to only $9.36.

By contrast, our internal costs to manage our investments are less than 10 basis points. If we were to produce the same returns internally, our gross return of 20% would become $19.90 after management costs. There are no profit participation expenses. Also, our portfolio turnover averages less than 10% per year. As such, only $2 would be a realized gain and subject to the 35% tax rate. The cash tax bill would be $.70 and that means we would still have $19.20 to add to our investment portfolio at the end of the year, compared with only $9.36 from the same gross return produced by an alternative asset management structure.

We prefer the alternative of keeping this work in house and giving ourselves a better chance of producing net returns for our shareholders. As John Bogle once said, "Returns are uncertain, costs are certain." Our structure aims to reduce the certain costs and get the most we can out of the uncertain returns.

Fortunately, we can point to a record that shows we have earned solid returns over long periods of time in our equity investment activities. We stuck to our discipline despite periods of headwinds. We continue to expect our time-tested, low cost and tax efficient approach to produce good results for you as our shareholders. This should be a point of differentiation for Markel over the next several years.

Second — Our 2011 Results

Our total operating revenues grew 18% to $2.6 billion in 2011 from $2.2 billion in 2010. Earned premiums were $2.0 billion compared to $1.7 billion a year ago, and the combined ratio for the year was 102% compared to 97% in 2010. Investment income totaled $264 million compared to $273 million in 2010, and other revenues were $351 million compared to $186 million a year ago.

On our balance sheet, total shareholders' equity rose to $3.4 billion up from $3.2 billion, and book value per share rose to $352.10 compared to $326.36 a year ago. Debt to total capital increased to 27% from 24% a year ago due to the $250 million issuance of 5.35% ten-year senior debt.

We remain balance sheet oriented at Markel. We strive to make our loss reserves more likely redundant than deficient, and we err on the side of conservatism in maintaining the integrity of the balance sheet. This is a core value of Markel that will not change.

In our insurance operations, we produced a combined ratio of 102% versus 97% a year ago. This year's results were negatively affected by floods in Australia and Thailand, earthquakes in New Zealand, earthquakes and a related tsunami in Japan, and tornados and hurricanes in the United States. The total impact from all of these events was eight points on the combined ratio in 2011.

Our goal is to earn underwriting profits, and we are disappointed that we failed to meet that goal this year. While the sheer number of events was well beyond what we anticipated, the catastrophe losses we experienced did not exceed our expectations on any single event.

In our investment operations, we enjoyed a productive year. Total investment return was 6.5% in 2011 with equities up 3.8% and fixed income up 7.6%. We remain optimistic about future returns from our equity investment operations. We continue to have more ideas than money and that is a good recipe for future returns.

2011 exposed ongoing flaws in the world of finance. European area issues dominated the headlines, but we are cautious and conservative about credit quality everywhere. Specifically, our Eurozone holdings represent approximately 8% of the total portfolio and are the highest credit quality instruments we can find.

We continue to match the currency exposures from our underwriting operations with a portfolio of high quality fixed income investments and this drives our investment exposures in the Eurozone. As an example of our caution, our exposure to headline countries such as Portugal and Ireland is less than 1% of the total portfolio and we have no direct exposure to Greece.

In addition to our caution about credit quality, we continue to be concerned about the likelihood of higher interest rates. We think this is a matter of when, not if.

In preparation for higher interest rates, we've continued to keep the maturity of our bond portfolio short. As bonds have come due, we've replaced them with bonds that have shorter maturities. This pinches current investment income, but we think that protecting the balance sheet from big price declines that would occur on long term bonds if interest rates rise is the right decision.

Third — Our Plans and Goals for the Future

We are stewards of a big dream at Markel. We think that we can build one of the great companies of the world. It will be marked by unquestioned financial success and stand as an exemplar of how business should be done.

We will serve our customers to the best of our ability. We will earn a fair profit for doing so, as our customers pay us appropriately for providing necessary services. We will operate with integrity and in a first class manner in all respects. We will respect our shareholders and treat them fairly. And we will be a company where talented and honest individuals want to work.

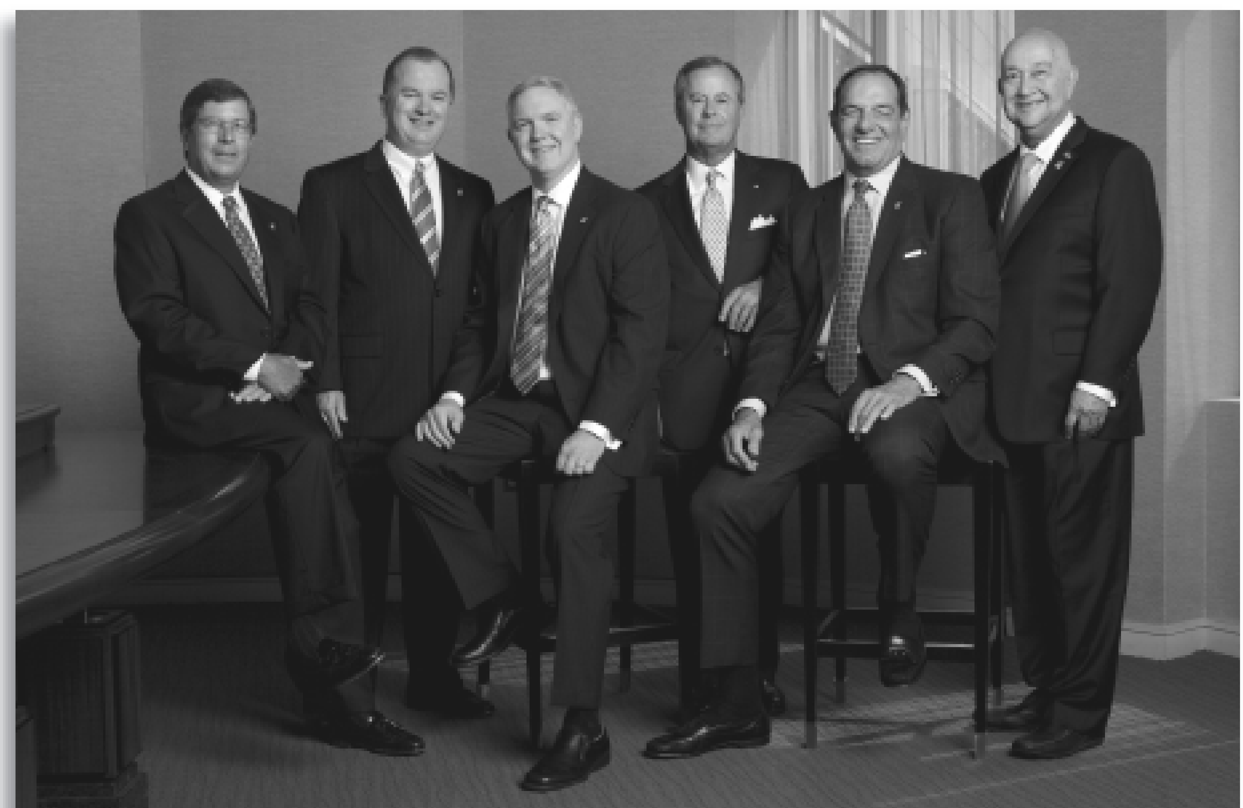
2011 was a year of modest financial progress but tremendous overall progress towards this goal. We continued to make improvements in our historical wholesale insurance business. We expanded the offerings and capabilities of our Specialty insurance operations with the first full year of the FirstComp operations as part of Markel, a series of new product introductions and the announcement of the Thomco acquisition at year end. Our international division opened new offices in Holland, Sweden, Spain, Hong Kong and Beijing and expanded operations in existing markets. Markel Ventures acquired PartnerMD and Weldship, as well as businesses that expanded the scope of its existing AMF and Ellicott subsidiaries.

We recognize that the financial results were less than what you, or we, expect and we acted accordingly. As such, the signers of this letter received no bonuses or salary increases for 2011 with only one exception. That exception relates to an employent agreement struck in 2009 in conjunction with joining Markel and walking away from earned compensation at a previous employer.

We think this demonstrates appropriate leadership and commitment to the shareholders and the organization, and that it stands in sharp contrast to numerous examples of less than wonderful corporate behavior.

We are working harder than ever, and we hope (as you should) that compensation and bonuses will increase soon to reflect the increased returns we hope to produce for you. Meanwhile, we will demonstrate our commitment to integrity and leadership by setting what we believe is a good example for the business and placing your interests first.

In addition to the daily execution and operation of the business, we think we have four main tools to grow and build the value of Markel. One, we can reinvest in organic opportunities in our insurance operations; two, we can acquire additional insurance businesses; three, we can acquire partial or controlling interests in public or private operations through Markel Ventures; and four, we can repurchase our own stock when we have excess capital and it is favorably priced.



From left to right: Steven A. Markel, Thomas S. Gayner, Richard R. Whitt, III, F. Michael Crowley, Anthony F. Markel and Alan I. Kirshner.

Most companies do not actively utilize this array of options. At Markel, during 2011, we engaged in all four activities. We fully expect to continue to analyze and review these alternatives and to use any and all of them as appropriate to build value.

As we begin 2012, we are incredibly optimistic and grateful to be part of this company.

The people of Markel have created a wonderful long-term record of financial success. The people of this company will be the ones to build that record in the future. We are confident and excited to field our team with a mix of proven veterans and new associates that are dedicated to serving customers and making everything that they touch better.

It is a timeless recipe for success, and we appreciate your long-term support and commitment as shareholders as we continue to build the human and financial value of your company.

Thank you.

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

Anthony F. Markel
Vice Chairman

Steven A. Markel
Vice Chairman

F. Michael Crowley
President and Co-Chief Operating Officer

Thomas S. Gayner
President and Chief Investment Officer

Richard R. Whitt, III
President and Co-Chief Operating Officer