2013

To Our Business Partners

Here is our annual report for 2013. Each year we write this letter to update you on the financial performance of your company and to qualitatively describe what went on at Markel. This is your company. We as managers are stewards of your capital. You've entrusted us with the authority to run this business, and this annual report functions as our report card to you. As John Cheever said about a kiss, "You can't do it alone." We thank you for your partnership and the opportunity to do this because among other things … it's fun.

Part of what makes it fun stems from the fact that 2013 was a year of fabulous financial performance. Financial results are a scorecard that measures one dimension of how good we are at doing our jobs. We like to think we are good at what we do, and it is pleasant to be able to report outstanding financial results and good marks.

Here are the headlines for 2013. Total revenues increased 44% to $4.3 billion, we earned comprehensive income of $459 million, and book value per share grew 18% to $477.16. We transformed the company by almost doubling the size of our insurance operations with the acquisition of Alterra on May 1st and we are pleased with the pace of our integration efforts.

When we announced the Alterra acquisition, we emphasized the idea of "*scale enhanced, business as usual.*" We said this to give comfort to our insurance customers while we addressed the integration of the two companies, but we also think it is an equally compelling message for our investors.

This is a long letter. It takes a bit of time to update you on how things progress each year. If you just want the Twitter version of less than 140 characters, here it is …

2013 a great year. Doubled insurance business with Alterra acquisition. Rest of Markel grew by double digits. Expect more over time.

More important than any one year, is the long-term record of compounding the value of your company over time. As we have for many years we start this letter with a 20 year compilation of our most important financial measures in the table below. As is always the case, the

(in millions, except per share data)	**2013**	2012	2011	2010	2009	2008	2007	2006	2005
Total operating revenues	$ **4,323**	3,000	2,630	2,225	2,069	1,977	2,551	2,576	2,200
Gross written premiums	$ **3,920**	2,514	2,291	1,982	1,906	2,213	2,359	2,536	2,401
Combined ratio	**97%**	97%	102%	97%	95%	99%	88%	87%	101%
Investment portfolio	$ **17,612**	9,333	8,728	8,224	7,849	6,893	7,775	7,524	6,588
Portfolio per share	**$1,259.26**	969.23	907.20	846.24	799.34	702.34	780.84	752.80	672.34
Net income (loss) to shareholders	$ **281**	253	142	267	202	(59)	406	393	148
Shareholders' equity	$ **6,674**	3,889	3,388	3,172	2,774	2,181	2,641	2,296	1,705
Book value per share	$ **477.16**	403.85	352.10	326.36	282.55	222.20	265.26	229.78	174.04
5-Year CAGR in book value per share [1]	**17%**	9%	9%	13%	11%	10%	18%	16%	11%

[1] CAGR—compound annual growth rate

numbers in this chart stem from the unique financial architecture in place at Markel. We've earned wonderful returns on your capital over decades. One reason for that is that each year, and in fact, each day, we get to choose from a varied menu as to how to allocate capital to continue to build the value of your company. Most companies do not enjoy the 360 degree range of choices we do to build value.

Our first and favorite option is to fund organic growth opportunities within our proven, existing line up of insurance and non-insurance businesses. Our next choice is to buy new businesses. Our third choice is to allocate capital to publicly traded equity and fixed income securities, and our final choice is to repurchase shares of our own stock when it is attractively priced and increases the value of each remaining outstanding share.

In 2013 we did all four of those activities just as we have for several years. The execution of our daily business against that framework is what produces the results we've earned for you over time and display for you here.

We are proud of this record and we hope that you as the long-term owners of this business are as well.

In the balance of this letter, we'll organize things by commenting on each of the elements of this table. We hope to give you some sense of how we produce these excellent financial results over time, as well as providing you with some insights into the non-financial factors that give us confidence we can continue to earn your trust in running this company.

One of the key features that help to produce these results over such long time horizons is the sense of teamwork that exists at Markel. Jim Collins in his book "Good to Great" noted that organizations tend to cluster around two basic models, "teams" or "a genius with a thousand helpers."

Markel functions as a team. We've got a deep and growing roster of skilled players. We know that on a team different players assume different roles and responsibilities. Sometimes it means scoring points, sometimes it means passing the ball to someone else, sometimes it means teaching a new player how to do something, and sometimes it means driving the van to the next game.

Those roles can and do change over time. We believe that teams last longer and produce better, more durable results than the "genius with a thousand helpers" model. We love the team of our colleagues and long-term shareholders, and we hope the following discussion of our key financial measures will provide some insight into that reality and how it works at Markel.

2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	20-Year CAGR[1]
$ 2,262	2,092	1,770	1,397	1,094	524	426	419	367	344	280	235	16%
$ 2,518	2,572	2,218	1,774	1,132	595	437	423	414	402	349	313	13%
96%	99%	103%	124%	114%	101%	98%	99%	100%	99%	97%	97%	—
$ 6,317	5,350	4,314	3,591	3,136	1,625	1,483	1,410	1,142	927	622	609	18%
$641.49	543.31	438.79	365.70	427.79	290.69	268.49	257.51	209.20	170.95	115.45	112.55	13%
$ 165	123	75	(126)	(28)	41	57	50	47	34	19	24	13%
$ 1,657	1,382	1,159	1,085	752	383	425	357	268	213	139	151	21%
$168.22	140.38	117.89	110.50	102.63	68.59	77.02	65.18	49.16	39.37	25.71	27.83	15%
20%	13%	13%	18%	21%	22%	23%	26%	26%	31%	17%	25%	—

One - Total Operating Revenues and Comprehensive Income

You might notice that we have two items listed here, revenues and comprehensive income. While we start off the 20 year table just with the label "Total operating revenues," we believe we should discuss comprehensive income at the same time. It would be a mistake to celebrate one without the other. In the insurance business, revenues can be easily obtained. All you need to do is cut prices and charge less than the ultimate underwriting losses. The world will beat a path to your door to pump up your revenues. You will also soon go broke. Any and all revenue must carry with it the expectation of profitability. In our insurance operations profits are measured by underwriting profitability. In our investment operations profits are shown as total investment returns. And at Markel Ventures operations they are demonstrated by EBITDA and net income.

We are focused on the long-term creation of value at Markel. We therefore focus on bottom line profitability over multiple year periods, not just short term increases in total revenues. Our compensation as senior managers, and our wealth as fellow shareholders of the company, depends on *profitable* revenues, not just revenues. That said, when it comes to profitable revenues, more is better.

In 2013, just such a happy thing occurred. Revenues rose 44% to $4.3 billion versus $3.0 billion in 2012. This total comes from earned premiums of $3.2 billion, net investment income of $317 million, net realized investment gains of $63 million and other revenues (primarily from Markel Ventures) of $711 million. This recitation of these amounts sounds so easy to say, and the numbers are so straightforward, that it is easy to forget how much work goes into creating total revenues of $4.3 billion.

In 1930, "Red" Motley said, "Nothing happens until somebody sells something." Each and every associate of Markel is a salesman in some form or fashion. We mean this as high praise and we salute the hard work involved. Each and every one of those $4.3 billion dollars (or pounds, euros, krona, pesos, reais) meant that someone in Markel connected with a customer who needed our products or services. They explained how we could meet their needs. They provided insurance coverage, or mechanical equipment, or products and services that our customers wanted and needed. Additionally, they satisfied our customers, as demonstrated by our having so much repeat and renewal business. The customers came back again and again. We must be doing something right.

Our 2013 revenues of $4.3 billion were a new high water mark for Markel. To give you some sense of perspective, ten and 20 years ago our revenues were $2.1 billion and $235 million respectively. While we focus on bottom line profitability rather than top line revenues, there would be no opportunity to produce bottom line profits without revenues coming in the door.

We'd like to thank all of the associates of the Markel Corporation who serve their customers by producing the incoming top line revenues of the business. It represents immense effort, and we are grateful for their skills and dedication. We cannot begin to do anything that creates value for you as shareholders without revenues coming in the front door.

Our comprehensive income totaled $459 million in 2013 and book value per share grew 18% to $477.16 compared to $403.85 at the end of 2012. The five year compound annual growth in book value was 17%.

We think that the growth rate of our comprehensive income per share over time is one of the most important financial metrics at Markel. While it will vary from year to year due to external market fluctuations and economic cycles, we think that this measurement over multi-year periods is the best way to measure our economic progress.

In the past we've headlined our book value per share, while at the same time noting our five year compound annual growth rate in book value (CAGR). Starting this year, we'd like to shift the emphasis more towards the five year CAGR rather than the static book value amount.

The reason for this subtle shift is that while the insurance businesses of Markel remain tethered to the reasonably accurate GAAP accounting balance sheet definitions of book value, our growing Markel Ventures operations are more accurately valued by considering their generation of cash as shown on the consolidated statements of income and cash flows. Also, capital management activities such as share repurchases, and share issuances in acquisitions, affect the calculation of raw book value.

We believe that the five year change in book value is now just as important a measurement to consider when thinking about the value of your company as the book value itself. We'll describe our reasons for this statement later in the letter as we get to the always treasured accounting discussion. Stay tuned!

Two - Gross Written Premiums

Gross written premiums rose 56% in 2013 to $3.9 billion from $2.5 billion in 2012. Organic premiums from existing Markel operations rose 7%. Gross written premiums also increased due to the Alterra acquisition, with premiums from those operations included for the last eight months of the year.

Each and every insurance unit within Markel produced excellent results in 2013.

Our Excess and Surplus segment, which includes our wholesale division led by John Latham, produced gross written premiums of $1.1 billion in 2013 versus $956 million in 2012, an increase of 12%.

We thank John for his exemplary leadership of the wholesale business and we wish him the best in his upcoming transition to a well-deserved retirement in 2015. We're also delighted that Bryan Sanders, who joined us as part of the Alterra acquisition, will assume leadership of our wholesale division and that the two of them will be working together this year during the transition.

The outstanding growth in our wholesale operations reflects the ongoing efforts of our technology and business leaders to make Markel easier to do business with. While we always operated creatively, and worked diligently to figure out ways to assist our insureds with unusual insurance needs, we had room for improvement in business processes and technology. We've made great strides in this area in recent years, and we are now beginning to see tangible benefits of more business and lower expense ratios as a result of these initiatives.

Our Broker Portal initiative stands as a great example of a successful initiative. With this web-based system we can process more insurance business faster and with lower expense than ever before. With Broker Portal and other ongoing business process improvements, we expect ongoing increases in our ability to write more business at lower expense ratios in 2014 and beyond.

Our London Insurance Market segment, which includes the Markel International operations led by William Stovin, produced gross written premiums of $914 million in 2013 versus $888 million a year earlier, an increase of 3% compared to 2012.

Markel International continues to spread its wings around the world with growing businesses in Continental Europe, Asia and also, as a function of newly acquired capacities from Alterra, Latin America.

Markel International completed the acquisition of Abbey Protection plc in January 2014. Abbey provides legal and tax services to its clients along with related insurance coverages. We plan to focus on cross selling between Abbey and our existing Markel International UK customer base. We also expect to expand its business geographically over time.

Our Specialty Admitted segment includes the operations of our Markel Specialty division and is led by Greg Thompson. Greg and his team produced gross written premiums of $900 million in 2013 versus $670 million in 2012, an increase of 34%.

During 2013 we focused on streamlining business processes, cross-selling, and building the value of the Markel brand in the marketplace. We also became the premier insurer of classic automobiles through our underwriting relationship with Hagerty.

With the Alterra acquisition we added several complementary products to our existing wholesale and Markel International divisions. We also added two new divisions, Global Insurance and Global Reinsurance.

The Global Insurance division, led by Lou Adanio, John Boylan, Jim Gray and Mike Miller, produced gross written premiums for Markel of $275 million in 2013. The Global Insurance division provides insurance coverage to larger entities than we previously served at Markel on a worldwide basis and stands as a good example of our expanded capabilities as a result of the Alterra acquisition. We are very pleased with how the insurance marketplace has responded to our offerings. The business grew despite the distractions and disruptions involved in any acquisition. As we enter 2014, we believe the distractions of the deal are behind us and the benefits of the larger balance sheet and market presence continue to build.

The Global Reinsurance division, led by Dave Kalainoff and Jed Rhoads, produced gross written premiums of $408 million for Markel in 2013. We are excited about the long-term prospects for this new business.

Today, reinsurance faces some of the most competitive marketplace conditions in our insurance portfolio. Despite that, we expect ongoing profitability in 2014 and beyond. With our new, larger balance sheet and longstanding commitment to underwriting profitability and dependability in the marketplace, reinsurance should be able to grow in well priced insurance markets and produce large profits in some years. In other years, we will reduce writings when we are not being paid appropriately to take risks.

Over time, this culture and discipline at Markel has served us well. Reinsurance in and of itself is neither a good or bad business. What can make it good is that, in certain markets, we can write a lot of profitable premium volume and compound the returns from doing so with our investment activities. In tough markets we will need to be extremely disciplined and willing to walk away from underpriced business.

We've practiced this discipline throughout Markel over the years, and we will continue to do so. The combination of our long-term focus, discipline, and diversification allows us to be patient. We are not dependent on any one product or customer. As such, we can increase or decrease our exposures as market conditions warrant and we are used to doing this. We expect the cumulative results from doing so will demonstrate the wisdom of growing our reinsurance business and creating value over multi year periods.

Three - Combined Ratio

No discussion of gross written premiums makes sense without discussing the combined ratio and profitability of those revenues. We've got good news on that front as the overall combined ratio at Markel was 97% in both 2013 and 2012, despite the fact that we incurred two points of non-recurring expense related to the Alterra acquisition. While we benefited from a relatively mild year with lower than normal weather-related catastrophes, we are pleased with these results.

We also remain committed to our unchanging standard of conservatism in setting our loss reserves and doing our best to make sure that we remain "more likely to be redundant than deficient" in our balance sheet accounts. We are booking the Alterra business with a margin of safety consistent with our long standing practices, and we will continue to do so. This approach protects the balance sheet, and in our opinion, the value of your company in many dimensions. It also tends to produce more volatility in year-to-year results. So be it. We think it's the right way to proceed.

In 2013, we wrote more business than we've ever written before, and we did so at a profit. A number of factors produced these results. One, the underwriters throughout our organization thoughtfully and skillfully selected and priced the risks we take very well. Two, they were able to do so because the information technology that supports their efforts improved during the year and they had more data with which to make decisions. Three, the increased size and scale of Markel gave underwriters more opportunities to see and write business than ever before. Four, the marketing efforts to establish the Markel brand in the insurance world increased our opportunities to see and write business. Five, our financial performance and reputation gave our clients confidence to trust us to be there when and if a claim occurred. And so on and so on and so on ...

We believe that these are persistent advantages and we will continue to build on them over time.

Four - Investment Portfolio

At year-end 2013, the total investment portfolio reached $17.6 billion compared to $9.3 billion a year ago. The acquisition of Alterra added $7.9 billion on May 1st. Interest rates bottomed out for the year almost exactly on the May 1st closing date of the Alterra acquisition. The subsequent rise in rates during the rest of the year reduced the carrying value of the portfolio which offset increases in the portfolio from our investment performance and cash flows.

The highlight of the year in our investment portfolio was the 33.3% return on our equity investments. Over the last five and ten years we've earned 21.6% and 12.4% respectively per year on our equity portfolio. These are outstanding investment results. Most insurance based organizations do not invest in equity securities to the extent we do at Markel. Our equity portfolio has added immense value to our total returns over many years and we think our long standing and consistent commitment to disciplined equity investing is a unique and valuable feature.

As long-term readers of this report will know, we follow a four part discipline when it comes to making our equity investments. First we seek profitable businesses with good returns on total capital that don't use too much leverage. Second, we look for management teams with equal measures of talent and integrity. Third, we look for businesses that can reinvest their earnings and compound their value or that practice sound capital management techniques such as good acquisitions, dividends, and share repurchases. Fourth, we seek these attributes at fair and reasonable prices.

You can find the incantation of this four part thought process starting in the 1999 annual report, and we repeat it every year. We were thinking along these lines before 1999 but we just started saying it in the annual report that year and we continue to invoke it as liturgy year after year.

This four part process guides all of our business decisions when it comes to investing in publicly traded equity securities and privately held businesses, as well as personnel and management evaluations and decisions within our existing operations.

We hope you take comfort in seeing the consistency of this approach year after year. We do.

In our fixed income operations we earned a total return of zero percent. Going into 2013 we worried that interest rates were unnaturally low and that the risks of owning longer-term bonds outweighed the returns available from doing so. We worried about that in 2012 and earlier as well.

We knew that we couldn't forecast when interest rates would go up with precision. Therefore, we simply let our fixed income securities mature and we built up our balances of cash and shorter term bonds.

Starting in the second quarter of 2013, interest rates finally did begin to rise. Our total return this year was diminished by the market values of our existing bond holdings falling. The very good news is that we are extremely liquid and now able to reinvest our cash balances at rates which make more sense to us.

We see particular opportunities within the distress of the municipal securities market, and we are gradually beginning the process of investing our liquidity in longer term bonds. Our pace in doing so will depend on our internal cash flows as well as the rate of change in interest rates. As 2014 progresses we expect to structure the portfolio with a longer duration that more closely matches the duration of our claims liabilities going forward.

We normally don't try to predict interest rates but we can use common sense to say that we believed they were too low during the last few years, and now they are trending back to a more normal level. Consequently, we too will trend back towards a more normal bond portfolio over time. This should increase our investment income substantially in the years to come.

Our overall investment return was 6.8% in 2013. We continued to add to our equity portfolio throughout the year as we have done consistently since the low point of equity exposure in the first quarter of 2009. While the addition of the Alterra portfolio on May 1st reduced our percentage of the total portfolio in equities back below 50% of shareholders' equity, we methodically worked to increase that allocation during the year. At year end that ratio stood at 49% and we would expect it to gradually increase towards our more normal target of 80% over time.

Five - Portfolio per Share

At year end, our investment portfolio per share stood at $1,259 versus $969 a year ago. The Alterra acquisition added $560 per share at closing on May 1st and our investment performance, coupled with the cash flow from operations, allowed us to continue to build our investment balances during the year.

One wonderful attribute of Markel is that over time our insurance businesses produce both underwriting profits and investable funds at the same time. This means that the total investment balances (after subtracting out our debt) produce investment income that accrues to the benefit of the shareholders. In effect, in addition to our own money (the shareholders' equity) which we invest, we get to invest the funds we are holding on behalf of our insurance claimants until such time as the claims come due.

Most businesses just have one pool of funds to invest, namely, shareholders' equity. At Markel, we have two. Our own capital plus the funds we are holding on behalf of others until they are needed. More is better.

Six - Net Income to Shareholders

Our net income totaled $281 million in 2013 versus $253 million in 2012.

This is the most volatile of the line items in the 20-year table. We understand this volatility and hope that you do as well. At many organizations, volatility causes people to go nuts. Experience has shown they are tempted to tamp it down and pretend that the world is a smooth place. We do not share this delusion.

If we were irrationally afraid of volatility, we could get rid of our equity portfolio, since equities tend to go up and down by greater percentage amounts than bonds. We think that unnaturally attempting to minimize reported volatility would diminish the long-term profitability of the company and work against the interests of long-term owners of the firm compared to short term traders of the stock.

Specifically, if we re-allocated the equity portfolio, we would increase the amount of net income that would flow through the income statement since all of the fixed income interest income gets reported through this line. For equities, only the dividends and realized gains show up as net income. Unrealized gains we earn by holding onto growing businesses do not.

Over time, we've earned hundreds of basis points of higher returns on our equity portfolio compared to our fixed income investments. Much of that excess return shows up only in balance sheet accounts and in comprehensive income. Unrealized gains never go through the income statement. By the way, this is also incredibly tax efficient as we now enjoy a gain of $1.7 billion on our equity portfolio at year end 2013. We've provided for the ultimate tax liability that would be paid should we sell our holdings, but as long as we hold onto those securities we defer paying that tax until the future.

At a 35% tax rate, this means we have over $500 million in our portfolio today, earning a return for our shareholders, which we would not if we chose to invest only in fixed income securities or to sell and realize gains just so they showed up in our net income statement.

We'll trade a little volatility in reported net income for $500 million anytime we can. A little over ten years ago the amount of our deferred tax liability was approximately $50 million. It's accurate to say we accomplished zero in our investment operations for the last decade. Correct! We added a zero. Please root for us to do so again.

Seven - Shareholders' Equity

Shareholders' equity totaled $6.7 billion at year end 2013 compared to $3.9 billion a year ago. Our shareholders' equity increased $2.3 billion due to our issuance of 4.3 million shares used to partially pay for the Alterra acquisition and our comprehensive income of $459 million offset by $57 million in share repurchases.

Eight - Book Value per Share

Book value per share reached $477.16 in 2013 compared to $403.85 in 2012. Yeah!

Nine - Five year CAGR in Book Value per Share

In 2013, the five year compound annual growth rate in book value per share was 17%. We are delighted with this result and we hope that you are as well.

While in the past we have emphasized the book value per share absolute amount, we think it is important to emphasize the five year CAGR percentage just as much if not more than the absolute amount of book value per share. We'll explain why in the next section.

The Always Treasured Accounting Discussion

Here is the much anticipated accounting discussion. We'll try to make it worth your while to slog through this.

The accounting comments tie to the changing nature of Markel over time. In earlier years we were almost completely, and accurately, described as an insurance company. As such, while the income statement and the cash flow statement were inseparably connected to the balance sheet, the balance sheet stood out as the most important of our three financial statements. From the balance sheet, one can calculate the book value per share, and it would be fair to say that the value of Markel, as well as any other insurance company, shouldn't vary too much from what that book value calculation revealed.

The balance sheet of an insurance company should comprehensively sum up roughly what an insurance company is worth. The assets consist of relatively easy to value items such as cash, publicly traded and market priced fixed income and equity securities, collectible reinsurance amounts, and so on and so on. Similarly, the liabilities should be relatively straightforward and show the future amounts due to policyholders and creditors.

Over time, we've been accorded a premium valuation compared to our raw book value, and compared to most insurance competitors. There were many factors that created our premium valuation in the marketplace, such as a reputation for conservatism in our financial reporting practices, demonstrated customer loyalty as shown by high renewal rates, and excellent long-term financial performance.

We appreciate the vote of confidence the marketplace has provided to Markel, and we will do everything in our power to continue to deserve a premium reputation.

Today, with the ongoing growth of Markel Ventures, the income statement should begin to come more into play as an element of focus for the owners of the company. The value of the Markel Ventures companies stems almost entirely from their ability to produce cash. That ability is not measured predominantly by the balance sheet; it is measured predominantly by current and future income and cash flow statements.

The net income (and associated cash flows) from the Markel Ventures companies comes largely from income statement activities such as selling goods and services for more than the total costs involved in producing them. In some cases, such as at our Weldship and ParkLand operations, the companies are heavy users of capital and need a substantial balance sheet to produce income. By contrast, PartnerMD and RetailData stand at the other end of the spectrum and require only small balance sheets that are dominated by items like working capital for payroll, receivables, and day to day operations.

Fortunately, this spectrum of businesses with various degrees of balance sheet intensity compared to the income statement resolves itself over time with the calculation of the five year CAGR measurement that we emphasize at Markel.

Namely, whatever amount of balance sheet (and associated book value) that the Markel Ventures companies require, it should be relatively consistent over time. The main thing that will change the book value of the various Markel Ventures entities will be the earnings of those companies themselves. The CAGR of the book value of this group should thus serve as a pretty good proxy for understanding how well they are creating economic value for our shareholders.

This calculation is continually refreshed and kept relevant by the passage of time as each year brings a new vintage of returns and a new, yet consistently calculated, base of capital being used to produce those results. The accuracy of this directionally correct surrogate measure should also increase over time as the base of the Markel Ventures business gets larger and more mature.

As our final statement on accounting in this letter think about two different companies where you only knew two pieces of data; the book value per share and the five year CAGR of that book value. At the first company, the book value was $100 per share and the five year CAGR was 8%. At the second company the book value was $100 per share and the five year CAGR was 12%. You would probably accurately conclude that the second company was a better one than the first and worth a higher multiple of book value in the marketplace. We think that calculation cuts through a lot of accounting details and is valuable information to help you evaluate the company.

This concludes the accounting discussion.

Back to business.

2014 and Beyond

2013 was a transformational year for your company. The Alterra acquisition changed the scale and global reach of your company. Every associate in every area of Markel worked to improve your company and translate our new set of opportunities into profitable and durable business.

In addition to the Alterra acquisition, we added Eagle Construction to our Markel Ventures operation. Eagle is a leading homebuilder in central Virginia. We've known the principals at the company for two generations and we had previously partnered with them in a 50/50 joint venture to purchase attractively priced real estate assets in the wake of the 2008/2009 financial crisis.

As evidence of Bryan Kornblau and Bud Ohly's management ability, Eagle remained profitable in 2008 and 2009 despite the myocardial infarction in housing. We are delighted to welcome Eagle into Markel and we think there will be ongoing opportunities to profitably expand this business.

We spent the past year digesting and integrating those acquisitions as well as looking after the basic operations of your company. We invested heavily in our technology platforms and expect to continue to do so in the future.

We served our insurance customers by providing fair and prompt claims services when they experienced losses.

We focused on becoming more valuable suppliers to all of our customers whether they needed insurance, equipment for their businesses, housing, medical services, or other expertise.

We protected the balance sheet of the company through prudent management of credit, interest rate, and equity market risks as we managed the portfolio.

We sought out new companies, new customers and new partners as we sought to build the value of your company.

We changed and improved many processes and expanded geographically.

What didn't and what won't change though is the Markel Style and the values by which your company operates. As the Markel Style states, "We believe in hard work and a zealous pursuit of excellence while keeping a sense of humor. Our creed is honesty and fairness in all our dealings." This value system attracts wonderful associates to this company.

Our decades of doing this consistently show our associates and customers that these are not just words. We mean what we say.

We will continue to do what we say we will.

We are pleased to be able to share this report of long-term financial performance to you as the owners of the company. We are optimistic that we will continue to be able to build one of the world's great businesses and we look forward to reporting our progress in the years to come.

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*